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TITLE: HUMAN ADJUSTMENT TO INDUSTRIAL CONVERSION

AUTHOR: Professor Arthur Kruger,
Department of Political Economy,
University of Toronto,
TORONTO 5, Ontario.

Canada

DRAFT STUDY

prepared for

TASK FORCE ON LABOUR RELATIONS
(Privy Council Office)

[Studies]

PROJECT NO. : 45

Submitted: APRIL 1968

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HUMAN ADJUSTMENT TO TECHNOLOGICAL CHANGE: THE ECONOMIST'S VIEW

Report on Project Number 45 to the Task Force on Labour Relations¹

I INTRODUCTION

Over the past decade, there has been considerable discussion of the problems of adapting workers to change. The debate was sparked by the rise in unemployment levels in Canada and the United States in the period 1957-1961 and the accompanying spread of new technology symbolized by the computer. Economists began to discuss the issue of structural unemployment -- a special type of unemployment resulting from rapid shifts in technology and consumer demand.² The proponents of the structuralist position pressed for the development of manpower programmes to speed the adjustment of labour supply to these demand changes. Others urged a more radical rethinking of the relative roles of work and leisure. They wanted programmes designed to prepare men not for new jobs but for a future in which work would be insignificant and output would be produced largely by machines.³

Sociologists and psychologists also were interested in the new technology and its effect on society. Some of them concentrated on the impact the new technology would have on the work environment. Others focused on the future problems of adapting people to a sudden increase in leisure time.⁴ Professor Loubser's study deals with this aspect of the problem and I will not enter into these issues in my paper.

Much of this debate centered on the question of whether or not technological change was proceeding at a rate so different from the past that it posed entirely new adjustment problems which required vastly different institutions and attitudes from those developed heretofore.

This debate as well as the experience of change and worker displacement in many industries, influenced the thinking of corporate and union officials as well as governments. In collective bargaining the emphasis shifted somewhat to matters such as work rules, seniority rules, the age of retirement, the level of pension benefits, severance pay and supplementary unemployment benefits. All of these mechanisms were commonly found in existing collective agreements. Unions sought to use these readily available devices to facilitate the adaptation of workers to displacement. Managements were reluctant to give way because they feared that such programmes committed companies to unpredictable costs and also because they often inhibited the firms in applying new technology.

In some cases, union leaders and management worked out bold new programmes designed to facilitate worker adjustment to technological change without unduly inhibiting the corporation's ability to implement change. The most interesting and important cases on this continent were described in the Preliminary Report submitted to the Task Force in October 1967. Further discussion of these plans is

presented in section III of this Report and in the Appendix.

Governments also responded by re-thinking the role of vocational training in education, and by expanding programmes for adult retraining. Research was undertaken on forecasting manpower requirements. Other new areas of state activity opened up including manpower mobility assistance and subsidies to encourage industrial expansion in depressed areas.

In this Report, I will discuss some of the insights which economic theory can provide in evaluating the attempts to adjust to technological change at the level of the firm or industry. In section II below I will present an analysis of the costs and benefits of change and of programmes designed to adapt to change as they are viewed by workers, union leaders, management and governments. Section III reviews some noteworthy experiments (mostly through collective bargaining) in coping with worker adaptation to change. (In the Appendix these plans are described in greater detail.) In section IV, I will examine some other proposals for handling displacement. The final sections provide a summary of the findings, conclusions and proposed policy recommendations.

I will not discuss the issue of the pace of current and future technological change relative to that in the past. Nor will I enter the debate on the future relevance of work. Rather I will assume that change is proceeding at a pace which does create problems

of adjustment for many workers and that paid employment will continue to be important to most of the adult population in the foreseeable future.

Emphasis will be placed on the attempt to cope with change through the collective bargaining process. Although government programmes are important, there has been considerable discussion of these elsewhere. In the Appendix I have included a paper which appraises government manpower programmes. (See my paper in the Kruger-Meltz volume included in the Appendix.) This paper provides the interested reader with a framework for examining the economic implications of these programmes as well as a discussion of some of the reasons for the failure of the labour market to solve the problems to which these programmes are addressed.

II TECHNOLOGICAL CHANGE -- COSTS AND BENEFITS

Each party, confronted with the prospect of change, will attempt to assess the likely costs and benefits of the innovation. On the basis of this appraisal, the parties will determine the attitude toward the change and toward the pace of adoption of change. In this section I will examine the costs and benefits of technological change as viewed by each of the parties. With this we can see the limits of management's willingness to make concessions in order to receive worker and union approval for change and the factors influencing worker and union attitude to change. The factors

determining the economic costs and benefits for society also will be examined.

A. The Source and Measurement of Technological Change

1. Macro-Economic Measure of Change:

Although our focus is on the subject of technological change at the micro-economic (firm or industry) level, we might begin by noting a few factors concerning technological change at the macro (economy-wide) level. The traditional measure of technological change at the macro-economic level is change in output per unit of labour input. Output is most commonly expressed in terms of the dollar value of total production and labour input is measured by the number of man-hours expended in producing this output.

There are numerous problems associated with this measure. These have been discussed extensively elsewhere and we need not do more than enumerate some of the more critical problems here. First, of course, the focus on the labour input should not imply that changes in the effort or quality of labour are the sole or even the most significant sources of rising output. Changes in the quality and quantity of other factors of production (capital, raw materials and land) are also relevant. Recognition of this fact has resulted in the increased use of measures which treat explicitly the inputs of all the relevant factors. Furthermore, our measure of change will be influenced by such variables as the distribution of output among

sectors as well as by changes in the quality of inputs or in the method of combining inputs. The reader interested in pursuing this matter further can turn to one of the numerous recent studies on this subject.⁵

2. Micro-Economic Measure of Change

Our major concern is with change at the plant, firm or industry since it is at this level that the parties to collective bargaining attempt to cope with change. Here change is usually measured by the extent to which production costs per unit of output are altered. However, it is useful to distinguish between alternative sources of unit cost changes. First, costs may be altered because prices of some or all of the inputs used by this firm or industry have changed. This change is highly significant to the firm or industry but it is not deemed to be a technological change in the affected firm or industry. Rather it reflects changes elsewhere, namely in the industries supplying these inputs. The input prices may have been altered by technological change in the input supplying sectors or by other market forces (e.g. the degree of competition, shifting opportunity costs, changing demand) in these and related markets.

Then, a firm (or industry) may alter the scale of output in response to either changing input prices or changes in demand for its product (or both). The new output level chosen may involve a

change in unit costs of production and may also result in some alteration in the mix of factor inputs. This is often viewed as a case of technological change when it results in an alteration in the mix of factor inputs. However, it is caused by a shift in output level which involves a change in the choice of known technologies rather than by the discovery and implementation of a new technology.

The final source of cost change is the result of the discovery and application of new technology (new methods of combining inputs, or new inputs) which cuts production costs for the desired output level. This is often deemed to be the only meaningful use of the term technological change as it applies to firm or industry supply.

There is not much point in entering into the debate on whether all of these changes or only the last kind should be classified as technological change. The fact is that usually two or all three of these changes occur simultaneously and often one such change triggers off changes of another type. (For example, higher input prices may alter the desired scale of output, or application of new techniques may alter input prices.) Although it is useful to distinguish among these three sources of cost change, in practice the available measures encompass their combined impact and there is no ready way of disentangling them.

So far we have focused on the input side of our measure of

technological change -- input cost per unit of output. Another significant change may be a shift to new kinds of outputs by the firm. This may be the result of the discovery of a new product or new uses for a known product which raise demand for it. It may also reflect the discovery of new ways of producing a product which lower costs and make production of a new product more attractive than heretofore. These events would also be covered by the term technological change. However, the production of the new product may reflect changing consumer tastes, or changing prices in other product markets or shifts in input prices which at best are only indirectly the result of technological changes, or which may have nothing to do with changing technology.

B. Technological Change and Labour Displacement

Popular discussion of the subject often assumes that technological change is inherently labour displacing. This is not necessarily true either at the macro or micro level. At the macro level the degree of unemployment created by such changes is a function of the level and composition of aggregate demand, the degree of competition and mobility in markets, as well as the pace of discovery and implementation of new methods. It is not possible to untangle the portion of unemployment attributable to technological change or to other sources. Attempts such as the study by Horne, Gillen and Helling, A Survey of Labour Market Conditions in Windsor Ontario-1964

A Case Study (Ottawa: Economic Council of Canada) produce nothing that is meaningful. This problem is also demonstrated in the rather fruitless debate between the structuralists and the deficient demand schools of economists over the relative role of these factors in creating unemployment. (See the Winder paper in the Kruger-Meltz volume included in the Appendix.)

Similarly at the micro level, other factors enter. First the change may in fact be such as to raise the labour input required per unit of output at the expense of other inputs. Furthermore, if the change so lowers costs and prices as to significantly raise output, then total employment may rise even when the labour input per unit has fallen. With new products, the impact depends on whether their production uses more or less labour than the products which they may replace.

There is some evidence that on balance, technological change in Canadian manufacturing has tended to be labour displacing in the sense that the required labour input per unit of output has fallen. However, total employment has held up because of buoyant aggregate demand from a variety of sources including expanded sales as a result of lower costs and lower prices for the products.

There is no inherent reason to expect technological change either to create or to destroy jobs in the aggregate. The impact of such change at the aggregate level depends on a variety of other

factors primarily the government's monetary and fiscal policies. What is certain is that technological change will create adjustment problems both for labour and for management. Such changes will require workers to change their occupations, plants, firms, industries or geographic locations. However technological change is not the only source of such dislocation. Such forces as the discovery of new sources of raw materials or changes in the level of aggregate demand or the composition of aggregate demand will have similar displacement effects. It is worker displacement rather than technological change per se that generates problems for workers, management, governments and collective bargaining. (More will be said on this subject in section C which follows.) We should bear in mind that much of the debate about automation and many of the collective bargaining experiments designed to cope with technological change reflect the concern over the broader problem of adjusting displaced workers whatever the source of displacement.

C. Management and Technological Change

Most economists assume that the prime motive influencing the behaviour of corporate management in the marketplace is the desire to increase profits. The decision on whether or not to make changes in the firm and the timing of change will reflect this desire. Obviously no innovation will be adopted unless it is expected to raise profits either through lowering production costs or improving product

quality so as to permit the firm to increase sales or raise the product price.

Popular discussion of the problem of technological change focuses on the discovery of new types of capital equipment which usually are assumed to be rapidly adopted and labour displacing. But the problems of technological change do not always emerge so suddenly and so dramatically. Usually there is a long time lag between the discovery of a new process and the application of the process.

There are several reasons for the delay. First there is the problem of communication. Many new processes remain unknown to some potential users for prolonged periods of time. (A good example is the oxygen furnace now widely used in steelmaking but unknown on this continent for many years after its application in Europe.)

Even when a new process becomes widely known, it is not usually applied immediately. Firms will continue to use existing processes which appear to be more expensive as long as the "variable costs" (operating costs) of the old process are less than the total costs of the new process. Only when existing equipment requires expensive overhaul or replacement will the firm adopt the new techniques in preference to the old. New entrants to the industry would of course adopt the best techniques and may be in a better profit position than established firms saddled with high fixed costs

associated with existing plant and equipment.

Not all technological change involves the application of recently discovered technology. Often the technological change involves the application of techniques that have been known for some time. The firm may chose to apply them because of other changes that may have occurred to make it more desirable than in the past to employ the new techniques. For example, the firm may wish to market a new product for which a long established, but never used, technique is best. The firm may wish to change the scale on which it operates, as a result of changes in product demand or in factor costs. The new level of output may require a change in technique for the firm to maximize profits. Finally, the relative prices of the factors of production might change and this could induce a change in technique that snifts the mix of factors in favour of those whose relative price has fallen.

All of this points to several crucial facts which influence the problem of worker adjustment:

- 1) Firms making technological change expect to derive financial benefits from the change. However, these firms may or may not be in a favourable profit position.
- 2) Where entry is possible, the firm may be following what new entrants to the industry have already done. In some cases the firm making the change may be in a less favourable financial

position than the newly established firms that use the lower cost equipment from the outset and are not faced with fixed charges associated with the earlier decisions to operate with other techniques. New firms are seldom asked by unions or governments to compensate workers because new techniques are employed. Yet older and perhaps less profitable firms are expected to assist workers affected by change.

3) Firms seldom face a sudden decision on technological change.

Usually the alternative technology is known to the employer and has been studied long before change is actually implemented.

Only when market conditions change sharply or when the new technology permits a drastic cut in costs will the firm be forced to make a rapid decision to adopt new technology.

Normally, firms do have considerable time to engage in consultation with unions, workers and governments, prior to implementing a major technological change. The experience at Bowaters Mersey Paper Co. discussed in G.K. Cowan's study provides an illustration of the opportunities afforded for such discussions.⁷

- 4) Technological change in a given industry is not the sole nor even necessarily the most important source of worker displacement in that industry. Workers may also be displaced because of:
- a. shifts in product demand resulting from changes in income, tastes, relative product prices or scope of markets.
 - b. shifts in the level of product output resulting from changes

in costs of production which may occur as a result of technological change, but which also take place as a result of changes in factor markets.

- c. shifts in relative factor prices resulting in changes in factor proportions.

In these cases, technological change in other sectors (rival or complementary products or in factor markets) may be responsible for the worker displacement in a given industry. Other factors such as the pace of economic growth, tariffs and trade agreements, changes in the nature of competitive conditions in various markets (including the labour market) and a variety of government activities may initiate the forces which ultimately generate the pressures for worker displacement in a given sector. Here the firm or industry may be faced with unexpected pressures for rapid change. Displacement cannot be planned in advance and may be as extensive in its impact as the more widely discussed instances of worker displacement by new machines. In our concern with the direct impact of the introduction of new technology in a given firm we may lose sight of the important and possible more difficult problems of worker dislocation resulting from these other causes. While the focus of this paper is on dislocation due to technological change, much of what is said is applicable to the more general problems of worker dislocation regardless of the source.

D. The Worker and Technological Change

Normally workers have little incentive or opportunity for initiating technological change. (There are exceptions to this, notably the Scanlon Plan or other similar plans.) Rather they are typically confronted with the prospect of change and react to management's decisions in this area.

For workers such change is usually viewed with fear and suspicion. They see few benefits arising from technological change. Even where they are persuaded that change is the source of economic growth and benefits everyone in the long run, they feel often with justification, that changes in their own particular firm or industry bring nothing but dislocation and problems for them. If this view appears to be short sighted, it is nonetheless understandable. Long run general benefits are not as tangible and important as immediate losses both monetary or psychic. (Lord Keynes once noted that in the long run we are all dead.)

There are cases of course where technological change results in upgrading of workers in pay and in the nature of work but workers seldom anticipate such favourable impact from change.

Workers focus on the costs rather than the benefits of change. The costs include not only such monetary costs as loss of income resulting from unemployment or a downgrading in occupation.

They also include the psychic discomforts incurred in adjusting to a new occupation, new co-workers, a new employer, a different community and so on.

The level of adjustment required is a function not only of the immediate impact of the change on a given worker's job, but on how the change influences his employer's competitive position and his employer's ability to provide him with continued employment. Where a change of employer or occupation is involved, the impact on the worker depends on how prepared he is to move to a new occupation, employer or community and on the extent to which his potential employment differs from his previous position. These in turn depend on a number of characteristics of the workers involved (prior education, training or experience, age, sex, marital status, community attachment, home ownership, accumulated savings etc.) and on the state of the labour market both in his locality and elsewhere (with such factors as the level and composition of employment and unemployment in his firm, trade, locality and nation as the relevant factors).

In summary, workers seldom see benefits arising from change and focus on costs (both monetary and psychic) associated with adjustment to change. Given this perspective, it is understandable that the normal worker response to the prospect of change is fear and hostility.

Union policies reflect worker concern over displacement.

This in part reflects the democratic structure of many unions and also the desire of union leaders to ensure union survival and power. Where technological or other changes appear to threaten the employment of union members or to enhance management's power to resist union bargaining pressures, unions will oppose change. Where no such threat is in prospect but workers must adjust to change, unions will accept change but attempt to influence the pace of change or to secure arrangements which facilitate worker adaptation.⁸

The objectives of union members and their leaders normally are in harmony and this permits agreement on strategy toward change. However in some cases, the institutional objectives of union leaders and the goals of some or all of the membership may conflict. Union leaders may sacrifice potential benefits for displaced workers (who will leave the union) in the interest of greater benefits for those who remain employed or enhanced bargaining power for the union. (John L. Lewis' policy in the coal industry provides an example of this.) Union leaders may be prepared to see their members hurt in conflicts in cases where union power or survival is threatened. In such situations, they may risk the prospect of loss of employment for many members for the prospect, however slight, of holding power. Through their ability to present selectively the issues to the rank and file, they often get membership support for such risky ventures. (The ITO strike at the Toronto newspapers provides a vivid example of this.)

In some cases, union leaders are compelled to choose between the interests of conflicting groups within the union. Should older workers' jobs be protected by seniority at the expense of younger workers? Should older workers be compelled to retire to permit the younger workers to hold their jobs? Should a curb be placed on overtime work (or other work sharing arrangements be imposed) to spread work over a larger group of members or should a smaller group get the opportunity to enjoy larger incomes?

In assessing union reaction to displacement, we must recognize the multiplicity of pressures on union leaders. Some of these emanate from the rank and file and reflect worker assessments of costs and benefits. Various groups of members may hold conflicting views and each group will attempt to impose its own position on the union. Others reflect the institutional requirements of the union itself and the desire of union leaders to retain positions of power and influence which require the preservation of the union and the enhancement of union strength.

E. The Government Interest in Change⁹

Certain areas of government concern with change are well known. Modern governments are committed to policies promoting economic growth. Technological change is a crucial variable determining the growth rate. Unemployment is also a matter of public concern. Governments have accepted the objective of reducing unemployment to an

"acceptable level" and of assisting those temporarily unemployed. The state, therefore, is concerned lest change result in an undue amount of unemployment. As part of the growth and stabilization goals, the governments seek to check inflationary pressures and preserve the exchange value of our dollar. Cost cutting, technological and other changes contribute to these goals. Keynesian policies designed to raise aggregate demand are the primary device for checking unemployment, or inflation.

There has been some concern over whether these policies can work effectively when unemployment and inflation occur simultaneously to a degree that is deemed unacceptable.¹⁰ There is also the matter of the impact of Keynesian policies on the long run growth rate. Economists are not in agreement on this question. Governments appear to accept and utilize the Keynesian tools albeit with some reluctance and skepticism. They seek to supplement them with other devices including manpower programmes. These are designed to assist workers in adapting to displacement and hopefully also to curb inflation and promote growth.

It is relatively easy to measure the cost of public information, training, mobility and locational incentive programmes which form the core of public policy in this area. It is more difficult to measure the social benefits of these policies. Involved here are such matters as value judgments on the weight to be placed on the

suffering of the unemployed, the benefits of maintaining community ties, and so on. There are also serious measurement problems (even after these value judgments are made) in determining the impact of these policies in such areas as relative and absolute prices (including factor prices such as wage rates and salaries). Many of these matters are dealt with in my article in the Kruger-Meltz volume appended to this Report.

It is my impression that in this area, as so often with government programmes the relevant costs and benefits are measured in terms of potential and actual contributions to political campaign funds and in the votes to be gained or lost by pursuing alternative courses of action rather than in the terms deemed relevant by the economists.

F. Summary of Costs and Benefits of Technological Change

In discussing the desirability of technological change and the undesirable features of such change, we must recognize at the outset that the assessment of costs and benefits varies greatly within society.

To management, such changes are essential for the health and even survival of their firms. Technological change reduces costs and is seen as desirable. The pace of change depends on a comparison of operating costs (ignoring fixed costs) using existing

techniques against total costs with the proposed innovation. Firms usually know well in advance that a major change will occur. Although technological change tends to enhance profits, firms making the change are not necessarily highly profitable and often are hard pressed by new entrants (or import competition) who have adopted the improved techniques unencumbered either by fixed costs or pressure to compensate displaced workers.

Workers normally react negatively to technological change. They know from experience that change disrupts the social system at the work place, threatens jobs and skills, and indeed can undermine or destroy their union. They seldom anticipate benefits from such changes. Union leaders will oppose any change that threatens the survival of the union. Other changes normally are accepted by the union in principle but through collective bargaining, attempts are made to mitigate the impact on the displaced union members. The union in some cases may assist management in securing worker acceptance of change.

Governments are ambivalent toward major technological changes. They desire such changes because of the favourable impact on the rate of economic growth, price stability and the foreign trade balance. However, they face strong pressures to assist workers and communities wherever the change involves significant dislocation. Change brings long term social benefits but dislocation involves

immediate pressures on the public treasury. In general, governments encourage technological change and use a mix of Keynesian and other policies (e.g. industrial location and manpower programmes) to alleviate the impact on those bearing the heaviest cost of change. These programmes have an impact beyond the assistance to the dislocated and their side effects are often dysfunctional. My article in the Appendix treats this matter in more detail.

III COLLECTIVE BARGAINING AND TECHNOLOGICAL CHANGE

In this part of the study I want to deal with the empirical evidence on attempts to cope with worker displacement through collective bargaining. When this part of the project was carried out, I did not have the following important studies which have since been published:--

F. Quinet, The Collective Agreement in Canada: The Study of its Contents and of its Role in a Changing Industrial Environment, especially pages 33-116. (Ottawa, Department of Labour, Economics and Research Branch, 1967)

Canada, Department of Labour, Economics and Research Branch, Response to Technological Change: A Study of Technological Change Provisions Contained In Major Collective Agreements Effective in Canadian Industries, a study by David Ross. (Ottawa, Department of Labour, Economics and Research Branch, 1967)

Ontario Department of Labour, Technological Change in Ontario Collective Agreements: Ten Manufacturing Industries, by D. Plautz. (Toronto: Research Branch, Ontario Department of Labour, 1967)

G.K. Cowan, Proposed Measures to Facilitate Manpower Adjustment to Technological and Other Changes: Twelve Selected Case Studies. (Ottawa, Economic Council of Canada)

All of these studies provide valuable information on attempts to cope with technological change through collective bargaining. It is unfortunate that coordination was not possible in designing these various studies (including my own). Only the Cowan study employs a methodology which identifies firms and thus permits integration with my own findings. The other studies, (sponsored by the Canadian Department of Labour and the Ontario Department of Labour) provide a great deal of relevant material on the extent and nature of collective bargaining provisions designed to cope with technological change. However, they do not identify the firms involved and therefore cannot be directly integrated with the material collected for this Report. They do provide a very valuable picture of Canadian experience and I will begin by summarizing some of their critical findings.

A. The Surveys of Collective Agreements in Canada

1. The Ross Study:

For some years now the Canada Department of Labour has compiled statistics on the content of collective agreements in Canada. These studies, under the direction of Mr. Felix Quinet, use the extensive file of collective agreements in the Department to show the extent to which various provisions (e.g. pensions, seniority etc.) are found in these contracts.

In recent years particular emphasis has been placed on

those clauses which are designed to cope with technological change, or which can be applied to this problem. Four of the eight papers by Felix Quinet, in the volume referred to above, are devoted to this problem. The study by D. Ross, under the direction of Mr. Quinet, is the latest in this group of studies and it is the findings of the Ross study that I want to summarize first.

Ross used a survey of agreements covering 471 companies, each employing 500 or more workers. (He excluded construction companies and the railways.) The contracts were in force in 1966. Ross includes only those contractual clauses which state explicitly that they are designed to cope with problems of worker displacement and excludes clauses which might serve this purpose but are not so designated. The relevant clauses are then grouped under the following headings:

- advance notice
- income maintenance (e.g. severance pay, S.U.B. etc.)
- worker adaptation (e.g. retraining, mobility grants etc.)
- employment sharing (e.g. shorter work week, early retirement etc.)
- joint union management procedures (e.g. study committees)

His most important findings are summarized in the following quotation:

"Of the 471 agreements, 28% contained explicit technological change clauses. The largest number of these clauses were income maintenance provisions, largely severance pay. However, 16 agreements provided complete income security for the workers extending for an indefinite period of time. Only five agreements

contained employment-sharing provisions. Of interest also is the fact that although only 133 collective agreements were found to contain technological change provisions, 277 separate provisions were surveyed. This seems to indicate that in many a technological change context, a combination of provisions is often called for in dealing with the problems generated by new technology." (Response to Technological Change, pp. 3-4)

The following tables from the Appendix to this study summarize the findings on the degree to which different kinds of provisions occur.

Charts 1 and 2 show that income maintenance provisions are the most common kind of arrangements, employment-sharing the least used, and the other three kinds of provisions about equally prevalent. Where advanced notice is found, it is usually accompanied by a severance pay provision. Tables 1 and 2 provide detail on the nature of advanced notice and income maintenance schemes, and require no explanation. Table 3 indicates that retraining provisions are much more prevalent than relocation as an adaptation device. The few employment-sharing contracts appear to use the reduced work week rather than early retirement (Table 4). From Table 5, we see that union-management procedures tend to rely on consultation rather than negotiation or arbitration.

2. The Plautz Study:

The Ontario survey conducted by Mr. Dieter Plautz under the direction of Mr. John Kinley, is limited to the plants of ten

CHART 1

Agreements Containing Certain Technological Change Provisions as a Percentage of All Agreements Surveyed

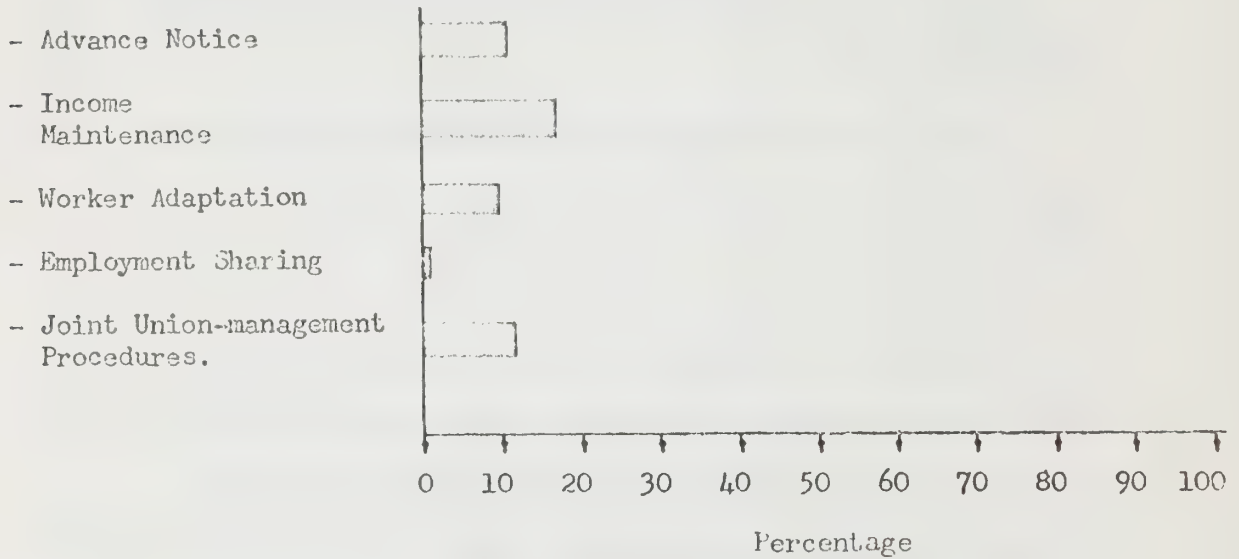


CHART 2

Frequency of Major Technological Change Provisions as a Percentage of all Technological Change Provisions

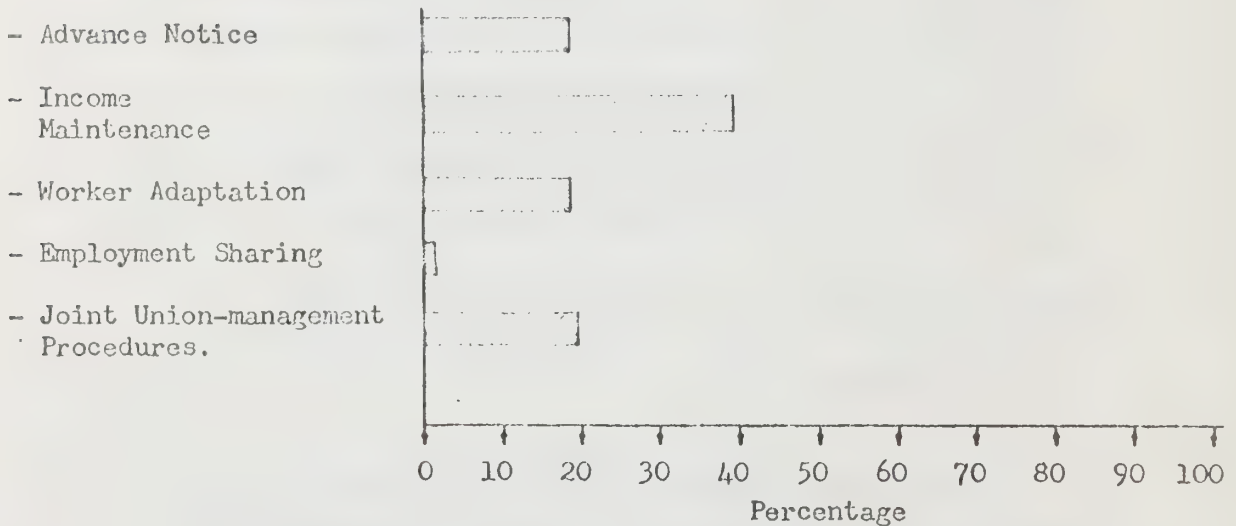


TABLE 1

Number and Percentage of Agreements
Containing Advance Notice Provisions

	Agreements		Employees	
	No.	%	No.	%
A. Straight Notice	51	11	74,550	10
(i) 1 month or less	10	2	16,219	2
(ii) 2 months	11	2	17,407	2
(iii) 3 months	18	4	30,692	4
(iv) 4 months	2	*	1,171	*
(v) 6 months	3	*	1,296	*
(vi) 12 months	1	*	519	*
(vii) as early as possible	6	1	7,246	1
B. Provision for time off to seek employment	3	*	5,600	*

* Less than 1% of total.

TABLE 2

Number and Percentage of Agreements Containing
"Income Maintenance" Provisions

	Agreements		Employees	
	No.	%	No.	%
A. Full Maintenance	46	10	58,436	8
Guaranteed for				
(a) 3 months	25	5	20,711	3
(b) 6 months	1	*	672	*
(c) 12 months	3	*	4,246	*
(d) 24 months	1	*	1,779	*
(e) period unspecified	16	3	31,028	4

* Less than 1% of total.

(cont'd)

TABLE 2 (cont'd)

	Agreements		Employees	
	No.	%	No.	%
B. Partial Maintenance				
1. Severance pay	49	11	87,203	12
(a) Fixed sum	4	*	5,094	*
(i) 1 week's pay	1	*	741	*
(ii) 2 weeks' pay	2	*	1,382	*
(iii) other	1	*	2,971	*
(b) Scaled to length of service and income	44	9	81,299	11
(i) Formula				
(a) 2 days pay for each yr. of service	1	*	1,600	*
(b) 1/2 wk. pay for each yr. of service	2	*	2,918	*
(c) 1 wk. pay for each yr. of service	12	3	20,875	3
(d) 2 wks. pay for each yr. of service	4	*	7,904	1
(e) 1 wk. pay for every 6 mos. of service	2	*	4,239	*
(f) 1% of total uninterrupted earnings	22	5	43,192	6
(g) other	1	*	571	*
(ii) Minimum Service qualifications				
(a) 1 year	24	5	44,291	6
(b) 3 years	3	*	5,232	*
(c) 5 years	2	*	2,471	*
(d) 6 years	1	*	1,100	*
(e) 10 or more years	3	*	6,743	*
(f) no requirement	11	2	21,462	3
(iii) Maximum No. of qualifying service yrs.				
(a) less than 10 years	1	*	424	*
(b) 11 to 15 years	1	*	2,515	*
(c) 16 to 19 years	3	*	10,246	1
(d) greater than 19 years	14	3	24,917	3
(e) no maximum	25	5	43,197	5
(c) Not specified	1	*	810	*
2. Supplementary Unemployment Benefits	3	*	4,795	*
C. Guaranteed Maintenance at no Pre-established Income Level				
1. All affected employees	5	1	14,140	2
2. Specific employees	4	*	14,670	2

* Less than 1% of total.

TABLE 3

Number and Percentage of Agreements Containing
Worker Adaptation Provisions

	Agreements		Employees	
	No.	%	No.	%
A. Retraining Provisions	41	9	85,087	12
Training financed by				
(a) Employer	31	6	42,771	6
(b) Employer-worker	2	*	1,353	*
(c) Not specified	8	2	40,963	6
B. Relocation Provisions	12	3	30,588	4
Relocation expenses				
(a) Financial support provided by employer	6	1	23,766	3
(b) Not specified	6	1	6,822	*

* Less than 1% of total.

TABLE 4

Number and Percentage of Agreements Containing
"Employment Sharing" Provisions

	Agreements		Employees	
	No.	%	No.	%
A. Reduced work week	4	*	5,657	*
B. Early retirement	1	*	1,100	*

* Less than 1% of total.

TABLE 5

Number and Percentage of Agreements Containing
Provisions for "Union-Management Procedures"

	Agreements		Employees	
	No.	%	No.	%
A. Consultation	51	11	57,781	8
B. Negotiation	5	1	14,500	2
Means of settlement				
(a) Arbitration	4	*	5,500	*
(b) Not specified	1	*	9,000	1

* Less than 1% of total.

TABLE 6

Number and Percentage of Agreements Containing Technological
Change Provisions by Sector and Industry and Employees Covered

NOTE: Caution should be exercised in the interpretation of this table. The survey included only agreements covering 500 or more workers. Therefore, to the extent that some industries are composed of a proportionately great number of firms with less than 500 workers, they will not be adequately represented in the survey.

Sector and Industry	Agreements		Employees	
	No.	%	No.	%
<u>Primary:</u>				
Logging	9	2	6,300	1
Dairy	2	*	2,350	*
Mining	2	*	2,170	*
<u>Manufacturing:</u>				
Food & Beverages	3	*	1,920	*
Tobacco & Products	5	1	4,105	*
Textiles & Apparel	9	2	21,917	3
Wood Products including Pulp & Paper	36	8	56,685	8
Printing, Publishing & Allied Industries	6	1	5,420	*
Metal Processing & Fabricating	8	2	12,360	2
Machinery & Transportation Equipment	16	4	42,187	6
Non-metal Mineral Processing & Fabricating	4	*	3,238	*
Chemicals	1	*	1,200	*
<u>Transportation, Storage, Communication & Utilities:</u>				
Air Transport & Airports	2	*	2,133	*
Bus & Coach Transport	1	*	640	*
Urban & Suburban Transport	2	*	5,950	*
Truck Transport	3	*	10,000	1
Water Transport & Related Services	3	*	3,694	*
Grain Elevators	1	*	1,000	*
Radio & T.V. Broadcasting	3	*	5,600	*
Electric Power	6	1	15,905	2
<u>Trade:</u>	1	*	2,900	*
<u>Public Service:</u>	10	2	17,699	2
Total	133	28	225,373	32

* Less than 1% of total.

TABLE 7

Number and Percentage of Agreements Containing
Major Technological Change Provisions

No. of Provisions Agreement Contains	Agreements	
	No.	%
None	338	72
One	61	13
Two	30	6
Three	36	8
Four	6	1
Five	0	0
Total	471	100

manufacturing industries located in Ontario. This study follows the Ross approach in including only those contractual clauses that explicitly indicate that they are designed to facilitate the adjustment of workers displaced by technological change (defined here broadly enough to include most forms of displacement and not merely technological change in the more usual sense of this term).

The survey included 1,078 agreements in 1,023 establishments covering 218,000 production and related workers in these ten industries. They were the most recent contracts on file at the Ontario Department of Labour on March 31, 1967. The clauses were grouped somewhat differently from the categories employed by the Ross study. The Ontario study used the following classification system:

- advanced notice and consultation
- changes in job content and rates of pay (e.g. job classification, rate and manning requirements)
- job security (e.g. attrition, shorter hours, seniority, relocation, retraining etc.)
- cushioning the impact of job change and job loss (e.g. severance pay, retraining, relocation etc.)
- sharing the gains of productivity

Plautz found that 33 $\frac{1}{2}$ agreements (31%) covering 149,000 workers (68%) had clauses specifically designed to cope with problems arising as a result of change. This indicates that provisions of this kind are more likely to be found in larger than in smaller plants.

They are more common in some sectors than in others.

Rubber, transportation equipment and primary metals show the greatest propensity to use them. Chemicals, meat products and machinery are at the other extreme. Paper, printing and metal fabricating occupy an intermediate position. Within sectors, larger firms are more likely than smaller ones to have such provisions. The Tables below reproduced from pages 19 and 20 of the study summarize these findings.

The findings of the Ontario study with respect to the frequency of the various categories of clauses are summarized in the following tables taken from pages 65-71 of the Plautz study.

Of particular interest for our purposes are the last two tables where the frequency of various kinds of clauses is classified by industry and size of the bargaining unit respectively. This permits some, albeit limited, comparison with the findings of Cowan and our own survey to be discussed below.

If we compare Ross' table 7 with Plautz's table 10, we find that the two studies show similar results on the matter of the frequency with which one, two, three or more contractual provisions are found. However, the important differences in the method of classification used indicates that this result is not very meaningful.

A comparison of Ross' chart 2 and Plautz's table 11 produces

TABLE 6

Number of agreements analysed and with Change Provisions
shown with Employee Coverage by Industry Group

Industry Group	Total Analysed			With Change Provisions			
	Agreements	Employees	Employees per Agreement	Agreements		Employees	
				No.	%*	No.	%*
Meat Products	40	6,464	162	6	15.0	3,495	54.1
Rubber	38	10,166	268	20	52.6	9,243	90.9
Paper and Allied	140	26,994	193	68	48.6	16,525	61.2
Printing and Publishing	151	8,742	58	59	39.1	4,449	50.9
Primary Metal	106	39,868	376	36	34.0	34,241	85.9
Metal Fabricating	293	30,396	104	88	30.0	12,064	39.7
Machinery	109	19,417	178	18	16.5	9,346	48.1
Transportation Equipment	77	63,044	819	20	26.0	54,950	87.2
Petroleum and Coal Products	13	2,177	167	3	23.1	1,351	62.1
Chemical	111	10,768	97	16	14.4	3,398	31.6
Total	1,078	218,036	202	334	31.0	149,062	68.4

* As a per cent of total agreements and employees analysed within each industry group.

TABLE 9

Collective Agreements Analysed and with Change Provisions by
Bargaining Unit Size

<u>Bargaining Unit Size</u>	<u>Total Agreements Analysed</u>		<u>Agreements with Change Provisions</u>	
	<u>Number</u>	<u>%</u>	<u>Number</u>	<u>%</u>
Under 25	310	28.8	72	21.6
25 to 99	400	37.0	97	29.0
100 to 249	221	20.5	73	21.9
250 to 999	116	10.8	67	20.0
1,000 to 4,999	26	2.4	20	6.0
5,000 and over	5	0.5	5	1.5
	<hr/>	<hr/>	<hr/>	<hr/>
Total	1,078	100.0	334	100.0
	<hr/>	<hr/>	<hr/>	<hr/>

TABLE 10

Number of Collective Agreements with
Change Provisions and Employees Covered by Them
Represented within One or More
Major Provision Class*

<u>Agreements with</u>	<u>Agreements</u>		<u>Employees</u>	
	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>
1 Provision Class	194	58.1	51,835	34.8
2 Provision Classes	110	32.9	73,920	49.5
3 Provision Classes	27	8.1	21,633	14.5
4 Provision Classes	3	0.9	1,674	1.2
5 Provision Classes	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total	334	100.0	149,062	100.0
	<hr/>	<hr/>	<hr/>	<hr/>

* The provision classes are named in Table 7.

TABLE 11

Agreements with Change Provisions and
Employees Covered by Them
by Major Provision Class

<u>Major Provision Class</u>	<u>Agreements</u>		<u>Employees</u>	
	<u>No.</u>	<u>%*</u>	<u>No.</u>	<u>%*</u>
ADVANCE NOTICE AND CONSULTATION	87	26.0	27,969	25.5
CHANGE IN JOB CONTENT AND JOB RATES	215	64.4	71,429	47.9
JOB SECURITY	110	32.9	98,141	65.8
CUSHIONING THE IMPACT OF JOB CHANGE AND JOB LOSS	101	30.2	35,912	24.1
SHARING IN THE GAINS OF PRODUCTIVITY	3	0.9	24,374	16.4

* Percentage is of all agreements with change provisions (334) and employees covered by them (149,100).

TABLE 12

Agreements with Change Provisions and Employees
Covered by Them, by Specific Provision Class

<u>Specific Provision Class</u>	<u>Agreements</u>		<u>Employees</u>	
	<u>No.</u>	<u>%*</u>	<u>No.</u>	<u>%*</u>
ADVANCE NOTICE & CONSULTATION				
Advance Notice	69	20.7	33,730	22.6
Consultation	56	16.8	28,105	18.8
Special Joint Committees	7	2.1	3,201	2.1
CHANGES IN JOB CONTENT AND RATES OF PAY				
Changes in Classifications and Job Rate	200	59.9	70,020	47.0
Jurisdiction and Manning Requirements	27	8.1	8,267	5.5
JOB SECURITY				
Attrition	7	2.1	649	0.4
Reduction in Hours	4	1.2	226	0.2
Preferential Employment Rights	31	9.3	51,647	34.6
Broadened Seniority	52	15.6	62,292	41.8
Relocation Allowances	16	4.8	52,435	35.2
Training and Retraining	25	7.5	24,265	16.3
Other Job Security Measures	16	4.8	3,404	2.3
CUSHIONING THE IMPACT OF JOB CHANGE AND JOB LOSS				
Protection Against Reduced Earnings	39	11.7	30,931	20.8
Severance Pay**	53	15.9	12,876	8.6
Other	2	0.6	3,571	2.4
SHARING IN THE GAINS OF PRODUCTIVITY	3	0.9	24,374	16.3

* Percentage is of all agreements with change provisions (334) and employees covered by them (149,100).

** Excludes severance pay under S.U.B. plans.

TABLE 13

Agreements With Change Provisions And Employees Covered By Them
By Provision Class and Industry Group

Industry Group	ADVANCE NOTICE AND CONSULTATION				CHANGES IN JOB CONTENT & RATES			
	Advance Notice		Consultation		Special Joint Committees		Changes in Classification and Job Rates	
	Agrt.	Empl.	Agrt.	Empl.	Agrt.	Empl.	Agrt.	Empl.
Meat Products	4	3,427	2	2,702	-	-	-	-
Rubber	2	272	1	271	-	10	2,669	-
Paper and Allied	31	11,961	24	8,436	4	1,147	38	6,898
Printing and Publishing	19	1,566	14	1,792	1	45	32	2,451
Primary Metal	3	11,620	4	10,475	1	2,000	25	26,036
Metal Fabricating	7	1,002	6	427	1	9	66	9,225
Machinery	1	3,722	2	3,812	-	-	11	8,165
Transportation Equipment	-	-	-	-	-	-	11	12,992
Petroleum and Coal Products	1	111	1	111	-	-	-	-
Chemical	1	29	2	79	-	-	7	1,594

cont'd...

TABLE 13 (continued)

Industry Group	JOB SECURITY									
	Attrition		Reduction in Hours		Preferential Employment		Broadened Seniority		Relocation Allowance	
	Agrt.	Empl.	Agrt.	Empl.	Agrt.	Empl.	Agrt.	Empl.	Agrt.	Empl.
Meat Products	-	-	-	-	-	-	-	-	-	-
Rubber	-	-	-	-	2	1,635	7	5,465	-	-
Paper and Allied	1	52	-	-	-	-	2	103	-	-
Printing and Publishing	6	597	4	226	-	-	-	-	-	-
Primary Metal	-	-	-	-	2	430	8	16,624	-	-
Metal Fabricating	-	-	-	-	12	3,127	18	3,458	5	2,282
Machinery	-	-	-	-	5	962	4	6,992	1	45
Transportation Equipment	-	-	-	-	8	44,719	7	28,152	9	50,022
Petroleum and Coal Products	-	-	-	-	-	-	1	160	-	-
Chemical	-	-	-	-	2	774	5	1,338	1	86

TABLE 13 (continued)

Industry Group	JOB SECURITY				CUSHIONING THE IMPACT OF JOB CHANGE & JOB LOSS						SHARING IN THE	
	Training & Retraining		Other Job Security Measures		Protection Against Reduced Earnings		Severance Pay		Other		GAINS OF PRODUCTIVITY	
	Agrt.	Empl.	Agrt.	Empl.	Agrt.	Empl.	Agrt.	Empl.	Agrt.	Empl.	Agrt.	Empl.
Meat Products	-	-	-	-	2	2,702	6	3,495	1	2,252	-	-
Rubber	-	-	-	-	-	-	-	-	1	1,319	-	-
Paper and Allied	2	492	5	1,177	25	9,289	21	7,559	-	-	-	-
Printing and Publishing	6	1,480	7	308	1	31	19	912	-	-	-	-
Primary Metal	4	11,510	1	350	5	16,187	2	582	-	-	-	-
Metal Fabricating	8	2,882	2	969	2	1,056	2	35	-	-	-	-
Machinery	2	290	-	-	-	-	-	-	-	-	1	89
Transportation Equipment	2	7,500	1	600	-	-	-	-	-	-	2	24,285
Petroleum & Coal Products	1	111	-	-	1	1,080	-	-	-	-	-	-
Chemical	-	-	-	-	3	586	3	293	-	-	-	-

TABLE 14

Agreements with Change Provisions by Bargaining Unit Size and Specific Provision Class

Specific Provision Class	Bargaining Unit Size						TOTAL
	Under 25	25 to 99	100 to 249	250 to 999	1,000 to 4,999	5,000 and over	
ADVANCE NOTICE AND CONSULTATION							
Advance Notice	23	11	9	18	7	1	69
Consultation	13	12	9	17	4	1	56
Special Joint Committees	1	2	1	2	1	-	7
CHANGES IN JOB CONTENT AND RATES OF PAY							
Changes in Classification & Job Rate	43	54	51	42	7	3	200
Jurisdiction and Manning Requirements	12	9	2	3	-	1	27
JOB SECURITY							
Attrition	3	2	2	-	-	-	7
Reduction in Hours	2	1	1	-	-	-	4
Preferential Employment Rights	1	13	5	8	1	3	31
Broadened Seniority	8	10	10	12	9	3	52
Relocation Allowance	1	5	1	4	2	3	16
Training and Retraining	2	3	7	10	2	1	25
Other Job Security Measures	4	5	2	5	-	-	16
CUSHIONING THE IMPACT OF JOB CHANGE AND JOB LOSS							
Protection Against Reduced Earnings	3	10	5	14	6	1	39
Severance Pay	15	17	5	14	2	-	53
Other	-	-	-	-	2	-	2
SHARING IN THE GAINS OF PRODUCTIVITY							
	-	1	-	-	1	1	3

a rather puzzling finding. The former study indicates that income maintenance occurs in about 40% of the contracts. In the Ontario study "cushioning" provisions which if anything, is even broader than Ross' income maintenance occurs in only 30% of the agreements. This may be explained by Plautz's exclusion of severance pay under S.U.B. agreements. Differences in other categories cannot readily be reconciled because of differences in the grouping of clauses in these two studies.

However the detail in Plautz's table 12 does permit some comments. The two studies agree on the frequency of advanced notice and joint procedures. In contrast to Ross, Plautz finds attrition more common than shorter hours. Both agree that these sorts of arrangements are not too common. They are not too far apart in their findings on retraining and relocation provisions.

It is most unfortunate that the two studies did not employ common methods of classification which would permit further comparison. It is also unfortunate that the federal study does not disclose information classified by industry or by size of firm as does the Ontario study. Neither study provides the necessary data on such other variables as competitive conditions in the relevant labour markets, economic conditions when the agreements were signed etc. which could be useful in establishing the conditions conducive to various sorts of contractual arrangements. Finally, in my opinion,

both suffer as a result of the decision to count only contractual provisions which state explicitly that they are linked to the problem of worker displacement. Often the parties will utilize long standing provisions to cope with displacement problems. Even where such provisions are negotiated in response to technological change, the contract will not necessarily state this. This is supported by Quinet, Canada's leading student of this matter who has said:

"It would indeed appear that technological change can, in fact, lead to the formulation of numerous agreement provisions that will not necessarily make an open and obvious reference to the problems from which they result."
(Quinet, The Collective Agreement in Canada, page 53.)

Thus these two surveys, important as they are for their broad coverage of Canadian experience, are of limited value in my own study which utilizes a different technique, closer in its approach to the Cowan, than to the Ross or Plautz papers.

B. The Cowan-Kruger "Case Studies"

In my preliminary report, I submitted summaries of the experience in a small number of United States and Canadian companies. These cases were not intended to be a representative sample of prevailing practice. Rather they were selected because they were unusual or non-representative. The agreements described were chosen because they were widely hailed as pioneering attempts to cope with technological change. Mr. Cowan's twelve Canadian cases were chosen because these also represented instances of innovation in accomodating displaced

workers.

Fortunately, there is little duplication in our choice of cases but we did gather similar data. In both studies our cases are not restricted to contract clauses that specifically mention technological change. Both studies mention the companies by name and provide data on the size of the work force. The grouping of contract clauses in categories is similar. However, Cowan's descriptions are concise but omit some facts which I included in my own cases (e.g., the date of contract changes, or the nature of labour market demand at the time of change). Some grouping of results is practical and will be attempted. Cowan limits his study to description of the twelve cases with no attempt at analysis. I will use his data along with my own findings to suggest some relationship between environment characteristics and the likelihood of certain kinds of contractual provisions. Where possible, I will draw on the results of the surveys discussed above as well.

Copies of my case studies are appended to this Report. They do not differ substantially from those submitted last October. The Cowan studies are available on order from the Economic Council of Canada or the Queen's Printer. One copy is included with this Report. Readers may refer to these case descriptions for details on the experience in these companies. In section C below I will concentrate on what relationships, if any, between environment and the choice of adjustment procedures are suggested by the experience in this limited

number of North American cases.

C. The Implications of the Cowan-Kruger Studies

1. The Limitations of this Study:

Let me begin by stating the purpose of this analysis and the severe limitations on this portion of my Report. Most of the studies of collective bargaining attempts to cope with technological change either are limited to description of cases and clauses, or to surveys which gather statistics or to sweeping assertions unsupported by empirical evidence. I could not find anyone who had formulated hypotheses concerning the variables which are relevant in determining whether collective agreements do include special provisions and if so, the nature of these provisions. Yet until such hypotheses are formulated and tested, very little can be said about how and why change influences bargaining in the way it does. Nor will we be able to predict the reaction of the parties in any given situation to future technological change without such an analysis.

After we undertook this part of the study, my research assistant and I soon learned why description or generalization has been preferred to analysis. Gathering information on cases is very time consuming. Other studies are helpful but each researcher uses his own classification system so that it is difficult and sometimes impossible to integrate the research of others. The choice of clauses to be included or excluded is always arbitrary. Contracts

do not provide clearcut evidence of intent and many relevant changes in practice occur outside the formal contractual provisions. An accurate designation of the nature of the environment in each case (e.g. the degree of product market competition, or the age distribution of the labour force and so on) require time consuming study in each case.

With hindsight, I feel that I was perhaps foolhardy in attempting what most others have avoided. Such an undertaking was especially hazardous given the limited resources of time, manpower and data collection facilities available to me. Yet I feel that this exercise is of great value for several reasons. First, I was asked to do a "think piece" on this subject and the collection and analysis of the case material has assisted in clarifying my own thoughts on the subject. I trust it may do the same for the members of the Task Force. Also, the method proposed here in my opinion, is superior to that used by other students of the subject. It is also readily applied to the data collected by the Canada Department of Labour and other government agencies and if used by them with their vast resources, could yield very worthwhile results.

Several notes of caution must be introduced before I begin the analysis. First, let me repeat my earlier statement that the cases on which the analysis is based are not representative of prevailing practice. Nor do they include all of the instances of pioneering activity. We used those that had been widely hailed as

innovating agreements.

We did our best to analyse agreements and utilize published descriptions. However, in some cases we may have missed relevant contract clauses either because they were not mentioned in the secondary source (and the agreements were not available) or because our method of classifying clauses may be faulty, although I think, very little that was relevant actually slipped by us.

More serious is the fact that it was impossible to undertake the sort of careful studies required to establish the precise nature of the relevant environment factors in each case. Thus for example, we have designated a product or labour market as competitive or non-competitive on the basis of judgments rather than market study. Judgments were also made on employment trends in the relevant markets at the time of the agreements. We did have more precise information on which to assess the scope of bargaining, the nature of the unions involved, and the size of the labour force. In some cases, we knew that the labour force had many older workers and this is indicated. In most cases, we could not establish the nature of this variable.

Finally, because of the small size of the sample of cases, it would be a mistake to assume that we have adequately tested our hypotheses. The data at best provide some highly tentative evidence on these hypotheses. The charts below also provide a way of summarizing the

available evidence which the members of the Task Force may find convenient.

2. The Sample, The Classification of Clauses and The Environmental Factors:

The following list of cases was used in this study:

From the Cowan Study:

- Alberta Government Telephone Commission
- Bowater Mersey Paper Co. Ltd -- Liverpool N.S.
- Canada Johns-Manville Co. Ltd. -- Asbestos, Quebec
- Canadian National Railways -- London, Ontario
- Casavant Frères Limitée -- Saint Hyacinthe, Quebec
- Cleyn and Tinker Ltd. -- Huntingdon, Quebec
- Domtar Ltd.
- General Steel Wares Ltd.
- Hydro-Electric Power Commission of Ontario
- Imperial Oil Ltd.
- Moirs Ltd. -- Halifax, N.S.
- Pacific Press Ltd. -- Vancouver, B.C.

The Kruger-Lightman Cases:

- Kaiser Steel (USA)
- Pacific Maritime Association (USA)
- The Basic Steel Industry (USA)
- Armour & Co. Ltd. (USA)

--American Motors (USA)
--Imperial Oil Co. Ltd. -- Ioca B.C. (Canada)
--Quebec Iron & Titanium Co. Ltd. -- Havre St Pierre, Que. (Canada)
--Canadian Railways -- Kellock Commission (Canada)
--Domtar Ltd. (Canada) -- also in Cowan list.

In addition to these cases, I have included material on the USA railroad, airline maritime, glass container, coal and garment industries and on the R.C.A. Victor Co. in the United States in the Appendix. The cases are not included in the analysis in this section either because they do not fit into the classification system of contractual provisions used here or because information was inadequate or because on examination the cases were not considered significant enough to be included.

From the Ontario (D. Plautz) study, the following cases could be assessed for some variables:

--Meat Products
--Rubber
--Paper and Allied Products
--Printing, Publishing and Allied Industries
--Primary Metal
--Metal Fabricating
--Machinery
--Transportation Equipment
--Petroleum & Coal Products
--Chemical & Chemical Products

The contract provisions considered relevant are classified under the following headings:

a) Advanced Notice

b) Avoiding Layoff

--Natural Attrition

--Induced Attrition (early retirement)

--Retraining -- company expense

-- shared expenses

--Relocation -- with allowance

-- without allowance

--Transfer (seniority)

--Work Spreading (shorter hours, longer vacations etc.)

c) Income Maintenance

-- severance pay

-- S.U.B.

-- preferential hiring

-- rate retention -- permanent

-- temporary

-- short week benefits

d) Productivity Sharing

e) Joint Committees

-- creative

-- administrative

f) Establishment of a Fund

The environmental factors considered relevant were:

- a) Competitive Conditions in the Product Market
 - Competitive
 - Oligopoly
 - Monopoly
- b) Competitive Conditions in the Labour Market
 - Company or industry dominated - oligopsony or monopsony
 - Many employers - competitive
- c) Employment Trends in the Labour Market
 - Expanding employment opportunities
 - Contracting (or stagnant) labour demand
- d) Scope of Bargaining Unit
 - one plant
 - more than one plant
 - one employer
 - more than one employer
- e) Nature of Union(s)
 - one union
 - more than one union
 - craft union(s)
 - industrial union(s)
- f) Labour Force Age and Size
 - disproportionately older work force
 - small bargaining unit (under 500)
 - large bargaining unit (500 or over)

3. The Hypotheses:

- a)--The greater the degree of product market power, the more likely that management will be willing to accept some responsibility for change. This is based on the argument that monopoly power is correlated with ability to pay and ability to pass on cost increases. The latter factor suggests that firms in competitive sectors are not likely to grant such concessions unless they feel that competitors will be forced to follow suit (i.e., through industry-wide bargaining or pattern bargaining).
- b)--Product market power would not influence the choice of procedures used to cope with change.
- c)--Company (or industry) dominated labour markets would generate stronger pressures for company acceptance of some responsibility for adjustment to change than would be true in more diversified labour markets. Such pressure should be evident in all the categories of contractual arrangements.
- d)--Firms implementing change in a period of contracting job opportunities are more likely to be compelled to accept responsibility for assisting the displaced than when job opportunities are expanding. This pressure should be particularly evident in the provisions designed to avoid layoff and maintain income.
- e)--Advanced notice, joint committees and adjustment funds are more likely to emerge with cases of a single plant or a single employer than with multi-plant or multi-employer bargaining units. In the latter instance, it is difficult to secure agreement within

management for advanced notice and to arrange and implement the machinery for continuous consultation or funds. On the other hand relocation and retraining might be more prevalent in multi-plant or multi-firm bargaining units. Seniority is almost universally employed but obviously the more plants and firms that bargain jointly, the greater the potential scope for using seniority to ease displacement problems.

f)--Craft unions are more likely to emphasize attrition provisions than industrial unions as a device for preserving the value of their skills. The industrial unions are more likely to seek advanced notice, retraining and income maintenance programmes to assist workers in shifting to new jobs.

g)--A single union is more likely to work out arrangements for advanced notice, relocation, rate retention, productivity sharing, joint committees and funds than is possible when a company deals with many unions. Similarly seniority assumes greater significance with a single union than with multiple unions. This is because the inter-union negotiations required for these provisions makes it less likely that they can be implemented in a multi-union situation.

h)--Where the labour force is large, retraining and job transfers are more likely than they are with a smaller labour force. On the other hand, productivity sharing is more likely in small than in large bargaining units because in the former, workers can more readily see the link between such factors as technological change or worker effort and the bonus from the sharing plan.

i)---The older the work force, the more likely that reliance is placed on attrition, work spreading and funds and the less the reliance on retraining and relocation.

These hypotheses appeared to be plausible and were tested in these cases. Not all of the cases provide data on all of these environmental characteristics so that the number of cases available to test each hypothesis is not identical. Again, I wish to emphasize that the data below are not adequate to provide any definitive conclusions. They do provide some tentative evidence concerning the validity of each hypothesis. They may also suggest some relationships to the reader that have escaped me. This approach provides a framework which could be applied to good advantage by those agencies (particularly the Canada Department of Labour) who possess information on many more cases.

Finally, a reading of the cases themselves (see the Appendix and the Cowan study) provides important material on these experiments in creative adaptation through collective bargaining. They demonstrate the potential and the limitations, the strengths and the weaknesses, of attempting to cope with displacement through collective bargaining. The summary charts reproduced below are no substitute for reading the cases themselves.

4. The Test of the Hypotheses:

The results of the case studies are summarized in the following

three charts. Chart 3 cross-classifies the firms (or industries) and the contractual clauses. In Chart 4, I have indicated the nature of the environment applicable in each case. (I have used judgment in many of these designations. Anyone who wishes to disagree can readily adjust this chart and the following one.) The results of these two charts are then combined in Chart 5 where the frequency of various contract provisions is plotted against the environmental characteristics.

We will turn first to an examination of Chart III. It is obvious that the most widely used arrangements for coping with worker displacement in the Cowan and Kruger cases are advanced notice, company paid retraining, internal transfer based on seniority, attrition and joint committees. Somewhat less common but fairly popular are induced attrition, relocation at company expense and severance pay. Still less common are displacement funds, short week benefits, rate retention, S.U.B., and work spreading. Rare are the instances of shared cost retraining, relocation without allowance, preferential hiring and productivity sharing.

The Plautz (Ontario) data disclose similar results. Advanced notice is by far the most common device. It is found in all industry groups except one and most companies that have any provisions at all provide for advanced notice. Seniority and severance pay are also important. Rate retention and preferential hiring get heavier emphasis

PROVISIONS OF
CONTRACT

COMPANY OR
INDUSTRY

CTIONS OF CONTRACT																										
Y OR STRY																										
A. Advanced Notice																										
B. Avoiding Layoff																										
Natural Attrition																										
Induced Attrition																										
Retraining																										
-Co. Paid																										
-Shared Cost																										
Relocation																										
-With allowance																										
-Without allowance																										
Transfer (seniority)																										
Work Spreading																										
C. Income Maintenance																										
Severance Pay																										
S.U.B.																										
Preferential Hiring																										
Rate Retention																										
-Permanent																										
-Temporary																										
Short Week Benefits																										
D. Productivity Sharing																										
E. Joint Committees																										
Creative																										
Administrative																										
F. Estab. of Fund																										
No. of Plants Studied																										
Alberta Telephone	x		x	x		x		x															x			
Bowater	x					x					x						x						x			
Can. Johns-Manville	x		x			x					x						x						x			
CNR - London Ont.	x		x	x		x			x		x				x								x			
Casavant Freres	x					x					x												x			
Cleyn & Tinker	x		x			x					x						x						x			
General Steelware	x		x	x		x			x		x				x								x			
Hydro - Ont.	x		x			x					x						x						x			
Imperial Oil	x		x	x			x		x		x				x									x		
Moirs Ltd.	x		x								x															
Pacific Press	x		x			x					x				x								x			
American Motors												x									x					
Armour	x		x			x			x		x				x	x						x		x		
Basic Steel												x											x			
Domtar	x		x	x		x			x		x												x		x	
Imperial Oil-Ioco	x		x	x		x					x				x								x	x		
Kaiser Steel			x			x										x				x	x		x		x	
Pacific Maritime			x	x						x											x			x	x	
Quebec Iron																							x			
Railways-Kellock			x			x					x						x			x	x					
PLAUTZ 1.																										
Chemical Industry	3							1		5				3		2	3					1				94
Machinery "	3			2				1		4						5										106
Meat Products "	6													6			2									33
Metal Fab. "	13			8				5		18				2		12	2									252
Paper & Allied "	55	1		2						2				21		25										92
Petrol. & Coal "	2			1						1							1									11
Primary Metals "	7			4						8				2		2	5									92
Printing etc. "	33	6		16						4				19			1									231
Rubber "	3															2						2				29
Trans. Equip. "				2				9		7						8										76

1. For the Plautz cases, I have indicated the number of establishments studied in each industry and the number with each kind of provision in each industry.

* This table relates the companies or industries to the different kinds of arrangements found in agreements. The / indicates a contract clause which predates the agreements discussed in the Appendix. The x indicates that the clause was negotiated in the contracts dealt with in the description in the Appendix. It was not possible to analyse agreements in all cases and undoubtedly more should be included particularly in areas like seniority and severance pay.

CHART 4*

COMPANY OR INDUSTRY ENVIRONMENT	PRODUCT MARKET	LABOUR MARKET	EMPLOY- MENT OPPORT- UNITIES	SCOPE OF COLLECTIVE BARGAINING		LABOUR FORCE
				EMPLOYER	UNION	
COMPANY OR INDUSTRY	Competitive	Co. Dominated	Expanding	One Plant	One Union	Small (under 500)
	Oligopoly	Many Employers	Contracting	More than One	More than One	Large (over 500)
	Monopoly			One Company	Craft Union(s)	Old
				More than One	Industrial Union(s)	
Alberta Telephone	x	x	x	x	x	x
Bowater	x	x	x	x	x	x
Can. Johns-Manville	x	x	x	x	x	x
CNR - London Ont.	x	x		x	x	x
Casavant Freres				x	x	x
Cleyn & Tinker	x	x	x	x	x	x
General Steelwares	x	x	x	x	x	x
Hydro - Ont.	x	x		x	x	x
Imperial Oil	x	x	x	x	x	x
Moirs Ltd.		x	x	x	x	x
Pacific Press	x	x		x	x	x
American Motors	x	x	x	x	x	x
Armour	x	x	x	x	x	x
Basic Steel	x	x	x	x	x	x
Bonter	x	x	x	x	x	x
Imperial Oil-Joco	x			x	x	x
Kaiser Steel	x	x	x	x	x	x
Pacific Maritime		x	x		x	x
Quebec Iron	x	x	x	x	x	x
Railways-Kellock	x	x		x	x	x
Chemical Industry	x					
Machinery	x					
Meat Products	x					
Metal Fab.	x					
Paper & Allied	x					
Petrol. & Coal	x					
Primary Metals	x					
Printing etc.	x					
Rubber	x					
Trans. Equip.	x					

* This Chart assigns environmental characteristics to each case. Judgment was used in many instances. In some cases, particular environmental factors are not designated because of lack of information.

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CHART 5*

PROVISION OF CONTRACT	COMPANY OR INDUSTRY ENVIRONMENT	PRODUCT MARKET	LABOUR MARKET	EMPLOY- MENT OPPORTU- NITIES	SCOPE OF COLLECTIVE BARGAINING						LABOUR FORCE	Total No. of Cases								
					EMPLOYER UNION?															
		Competitive	Oligopoly Monopoly	Co. Dominated Many Employers	Expanding Contracting	One Plant	More than One One Company	More than One	One Union	More than One Craft Union	Industrial Union	Small Large Old								
A Advanced Notice		2	8	2	6	7	2	7	6	8	14	0	5	9	6	11	4	9	1	14
B Avoiding Layoff																				
Natural Attrition		1	2	2	5	7	4	5	5	0	13	1	6	8	6	12	4	10	1	14
Induced Attrition		0	5	1	1	7	3	3	1	0	7	1	3	5	2	8	3	5	1	8
Retraining																				
Co. Paid		2	10	2	6	2	4	5	6	1	15	0	6	2	6	14	4	11	1	19
Shared Cost		0	1	0	0	1	0	1	0	1	0	1	0	1	0	1				1
Relocation																				
With Allowance		1	5	1	1	6	2	4	0	6	7	0	2	5	2	7	2	5	1	7
Without Allowance					0	1	1	0	0	1	0	1	1	0	0	1			1	1
Transfer (Seniority)		2	11	1	7	2	2	8	6	2	15	1	6	10	7	14	4	12	1	17
Work Spreading		0	3	0	0	3	1	2	0	3	2	1	2	1	0	3	0	3		3
C Income Maintenance																				
Severance Pay		1	6	0	1	6	1	3	2	5	6	1	3	4	2	7	3	4	1	7
S.U.B.		1	3	0	1	4	2	3	1	3	3	2	4	1	0	5	0	5		5
Preferential Hiring		0	1	1	1	1			0	1	2	0	0	2	2	0	0	2		2
Rate Retention 1		1	2	0	3	0	0	3	2	1	3	0	2	1	1	2	1	2		3
Permanent			1	0	0	1			0	0	1	0	0	1	1	0			1	1
Temporary			3	0	0	3	1	1	2	0	3	0	2	1	1	2			2	3
Short Work Benefits		0	2	0	1	2	1	1	1	1	1	2	3	0	0	3	0	3		3
D Productivity Sharing		0	2		0	2	1	1	1	1	2	0	2	0	0	2	0	2		2
E Joint Committees																				
Creative		2	11	2	7	9	4	7	6	16	15	1	8	8	5	15	4	12	1	16
Administrative			2	0	0	3	1		1	1	2	1	2	1	0	3	1	2		3
F Establishment of Fund		1	3	0	1	3	2	2	1	2	3	1	2	2	1	4	0	4		4
Total No. of Cases		2	13	2	7	12	5	9	7	11	18	2	9	11	7	18	4	15	1	20

* This Chart combines information from Charts 3 and 4 to relate the environment and the response. Only the Cowan and Kruger cases are included here. The Plautz (Ontario) cases could not be used.

1 Rate retention covers cases where it is unclear whether it is permanent or temporary. Where this is clear it is so listed. Thus total cases of rate retention of any kind is seven.

2. NOTE: Some companies have both craft and industrial unions.

tion in the Cowan-Kruger cases largely because of their inclusion in many paper and metal fabricating contracts respectively. If these cases were not included, these provisions would not be significant. Somewhat surprising is the small number of attrition cases in this sample. One suspects that attrition must be the practice in many of these cases although it does not appear in the collective agreements or is not explicitly tied to technological change.

These findings are not surprising. Seniority is a long established device for rationing employment opportunities and has become an accepted practice even in many non-union establishments. Employers have always engaged in on-the-job-training, both for new workers and for employees transferring among jobs within the firm. The use of seniority in job transfer almost invariably assumes some re-training obligation for the company. Similarly attrition is a long standing device for coping with displacement although contractual arrangements to provide for this are of more recent vintage. Advanced notice is a prerequisite for the effectiveness of many other arrangements (e.g. retraining, relocation, joint committees etc.) and is used in most cases where any kind of displacement machinery appears. Joint committees almost invariably are established once the principle of advanced notice is accepted. Notice per se is of little use unless it is followed by discussion of ways of using the time available before the change to good advantage. If anything, a more careful analysis of practice in these cases would almost certainly show that these pro-

cedures are even more widely followed than our data indicate.

The other kinds of arrangements are somewhat newer and have not been as widely accepted. Severance pay and preferential hiring have a somewhat longer history than most of these other arrangements. One suspects that they are often used even where no mention is made of them in the collective agreement. Benefits such as relocation grants, work spreading, S.U.B., rate retention, productivity sharing and displacement funds are newer to collective bargainings. Some (such as S.U.B. or rate retention) are resisted by management. Productivity sharing has been viewed with suspicion by many unions.

Little will be said about Chart 4. Readers should note that not only is our total sample small but that certain environmental characteristics are hardly represented at all. For example, most of our cases involve firms in oligopolistic product markets with only four competitive and two monopolistic cases. Only two of our cases involved instances of multi-employer bargaining units. Only four firms had a labour force of under five hundred. When these weaknesses are combined with the rather off-handed way in which some of the classification was done, it should be obvious that the data in Chart 5 must be interpreted with caution.

Chart 5 (with the limitations of data understood) is the most interesting of the three summary charts. It is with this data that we can test the hypotheses listed above and also perhaps come up with

some alternative hypotheses suggested by the data themselves. First to a test of the hypotheses listed in section III, C (3) above. We will designate each hypothesis by the same letter of the alphabet as we used earlier.

- a) The greater the degree of product market power, the more likely that such contractual arrangements will be employed. The data are inadequate for any real test.
- b) The choice of arrangements would not be influenced by product market conditions. Again the data are most inadequate, but the evidence is consistent with the hypothesis.
- c) Cases of company dominated labour markets would result in more frequent use of displacement procedures. There is some support for this, particularly in the areas of advanced notice, attrition, retraining, seniority and rate retention. Strangely enough, in the matter of relocation grants where one would expect this difference to show up, the reverse holds true. This may be because the dominant employers are often single plant companies and transfer is not possible.
- d) Displacement in contracting labour markets is more likely to result in special arrangements. The data do not support this.
- e) Advanced notice, joint committees and joint funds are more likely to occur when only one plant or one employer is involved. There is some support for this in the area of advanced notice. Joint committees are not influenced by the number of plants but are

somewhat more common in single firm than in multi-firm bargaining situations. There are too few cases of funds to say much except that the little evidence we have does not support this.

- f) Craft unions will emphasize attrition, while industrial unions will seek advanced notice, retraining and income maintenance. There is some support for the notion that craft unions will be more likely to emphasize attrition although attrition is quite common even where industrial unions are established. Advanced notice also is found in both kinds of unions but if anything is more common in the craft union cases. This is also true of retraining. It is true that income maintenance programmes are more likely to be found in cases where there are industrial unions.
- g) Certain kinds of arrangements are more likely when a single union bargains than when a firm (or industry) deals with more than one union. This is supported as expected by advanced notice, relocation and productivity sharing clauses. There is some flimsy support in the areas of rate retention and displacement funds as well. It is not supported in the seniority area.
- h) The size of the labour force will influence the likelihood of finding certain provisions. The data supports this but not in the way I expected. If anything the large firms are less likely to grant retraining and seniority transfer than the smaller firms. Nor is it true that productivity sharing is more likely in smaller firms.

These data for what they are worth support some of our

hypotheses and negate others. They suggest that if we had a much larger sample and a more careful system of classification of the environment, we would also have to test for interaction among variables. For example, do oligopolistic firms also tend to be employers of large numbers of workers and firms with more than one plant? This interaction of variables may be the source of some distortion in our data. Also such an approach would permit the reformulation of our hypotheses in terms of several variables. The limitations of our data did not justify the attempt at this more sophisticated kind of approach.

5. Other Results of the Case Studies:

The summary in Charts 3, 4 and 5 above of necessity omits a number of important facts which are disclosed in a careful reading of the cases. Among the more significant facts are the following:

- a) Union-management cooperation is most effective in cases where displacement involves a reorganization of the labour force but does not require workers to leave their firms or communities. The parties can use attrition, transfer through seniority and on-the-job retraining to cope with this kind of situation. Managements have accepted these programmes and workers also find them acceptable.
- b) Even in this most favourable kind of situation described in a) above, some serious problems may arise. Perhaps the most crucial obstacle to success is the existence of narrowly defined seniority

units. Often even in cases of a single industrial union, seniority is laid out by plant or by department. In a multi-union situation, seniority units normally do not extend across union boundaries. The problem is compounded in the case of craft unions where, on top of narrow seniority boundaries one encounters apprenticeship rules, jealously guarded jurisdictional boundaries, high union initiation fees and so on. Yet successful adjustment to displacement requires as much flexibility as possible in the deployment of the labour force.

This problem is not insoluble. Some unions have shown that they can and will alter seniority boundaries in the face of the threat of displacement. In the cases of Ontario Hydro, Domtar and Moirs Ltd., we have evidence of the possibility of inter-union agreement to accept the transfer of work and workers across union boundaries so that older workers receive as much protection as possible in the event of displacement. The Ontario Hydro experience described by Cowan is particularly instructive as to what can be achieved. Unfortunately these cases are far from typical. There are many other instances (newspaper publishing, railways, airlines, construction) where such cooperation has not been forthcoming and has frustrated attempts to resolve problems.

Unions themselves must reconsider the questions of union structure, union jurisdiction, seniority boundaries and inter-union cooperation in advance of crises. Frankly, I am skeptical

about their ability to submerge long standing rivalry and short run power advantage to the long run interests of their members in this matter.

Other difficult subjects which often inhibit agreements even in the favourable sort of cases described above are rate retention during and after retraining, rates on newly created jobs and seniority versus merit in deciding who is to be retrained. None of these are as tricky as the seniority boundary issue.

- c) When displacement involves relocation of workers to a new community albeit with the same employer and union, the experience has not been encouraging. Agreements often provide for relocation allowances but workers appear reluctant to leave their communities.¹² The General Steel Wares and CNR London cases demonstrate this. Unfortunately, the least mobile include the older workers who often have the greatest difficulty in finding other work in their home towns. Inter-regional migration does occur in response to differential employment opportunities but there is a time lag in this sort of adjustment. Where there is considerable displacement in areas which otherwise are enjoying expanding employment opportunities, there is no serious problem. Severance pay and unemployment insurance often are adequate to tide men over between jobs.

When displacement occurs in declining labour markets, then collective bargaining appears to be impotent. So far at least few

union-management cooperative efforts have succeeded in arranging for significant geographic mobility. It would seem that the inducements required are far in excess of anything most companies would be willing or able to pay. The answer here lies in state programmes designed to bring jobs to these depressed regions and/or to move excess manpower out by providing much greater inducements than private employers can offer. My article in the Appendix discusses these government programmes and introduces a note of concern over the way they have been implemented to date.

- d) Equally unsuccessful have been schemes to provide retraining to workers to prepare them for jobs with other employers. Workers rarely, if ever, show much willingness to bear any portion of the cost of such retraining whether in the form of lost earnings or tuition fees. Even where companies provide such opportunities without cost to their employees, workers seldom take advantage of these programmes. The Armour, General Steel Wares and Domtar experience provide examples of the failure of these retraining efforts. Workers are willing to retrain for a specific job with their own firm and often beg for the privilege. Some workers have shown a willingness to undertake retraining once unemployed but even here the drop-out rate is quite high. Retraining programmes that focus on developing academic or general use technical skills rather than specific skills geared to a specific job appear to be the least successful. Yet it is precisely such general training that receives the blessing of most of our self-proclaimed authorities

on manpower policy.

This apparently irrational resistance of workers to retraining is difficult to explain. Perhaps the problem should be turned over to social scientists of other disciplines (psychology and sociology) for an answer. I know there is no time available for this sort of study and so, at the risk of being accused of academic imperialism, or of trespassing on the jurisdiction of others, I will hazzard a few observations on this matter.

First, workers appear to have a short time horizon in making plans. They do not appear willing to sacrifice much today for benefits in the future because they assume that benefits will not flow for very long. This may explain their reluctance to save or invest, and their preference for credit buying. It may reflect their experience with layoffs involving the loss of accumulated "capital" in the form of seniority and fringe benefits or changing employment. It may also reflect the increasing selectivity of entrants to the lower skilled jobs which are the centre of our attention. Such workers increasingly are voluntary drop-outs from formal education. They either lack academic aptitudes (which explains their resistance in later life to academically oriented programmes) or they refused to invest in further academic training in their youth because they tended to discount heavily the gain in future income from such investment.¹³ They are then unlikely to be

willing to sacrifice much for training later in life when the future period of payoff is in fact even shorter and so soon after experiencing the bitterness of displacement. To get workers to make the effort, a specific job opportunity must be shown and the training closely related to success in filling the job. It is this which accounts for the success of retraining in the case of in-plant job transfer.

- e) Our sample includes two cases which further demonstrate the point just made -- namely the need to show workers concrete opportunities to elicit their own effort at readjustment prior to displacement. These occurred in General Steel Wares and Ontario Hydro where the National Employment Service was brought in to facilitate adjustment. In the General Steel Wares case, the company supplemented N.E.S. efforts with its own approach to other prospective employers. Workers were enabled to secure job interviews and offers of employment before being displaced. The programmes were successful. Success was, of course, predicated on the existence of alternative employment opportunities in the community.

If retraining is to succeed (in cases where a change of employer is necessary) it must be tied to such a programme. The actual retraining should be done by the new employer rather than the firm laying the men off although varying schemes for financing retraining can be used. Workers are more likely to accept retraining if it is tied to a job with the firm insisting on the retraining.

Furthermore the training is bound to be more relevant to the new jobs if done by the firms with the jobs available than if done by the firm laying off manpower. The new employers are in a better position to define training requirements and are more likely to have the equipment and instructors to do the training than are the former employers of these workers. They also have a stronger incentive to ensure that training is efficient.

The Ontario Hydro and General Steel Wares use of N.E.S. provides one of the few inspiring innovations encountered in this study. Paradoxically, this approach is much less costly to management or less disruptive to the workers than many of the more popular contractual arrangements. The widespread use of advance notice and joint committees provides the basis for more experiments of this kind in the future.

- f) Funds available to cope with displacement problems were established in four of the cases studies. While this approach has received considerable publicity, nothing startling has been accomplished to assist workers in coping with displacement.

The Armour plan provides for considerable flexibility in the use of the funds. Much careful effort was expended in devising programmes to assist the displaced. However all published reports indicate that there was very limited success in spite of goodwill, expert assistance and large expenditures.

The Kaiser and Pacific Maritime plans are tied to productivity gains. In the Kaiser case, the funds are used for bonuses to elicit worker effort and cooperation in the way that the well known Scanlon Plan operates.¹⁴ Along with the fund, Kaiser has accepted an obligation not to lay off its existing work force for reasons of technological change but to use attrition to accomplish any necessary reductions. The fund does nothing to ease displacement which can occur for reasons of declining demand or which can hit newly hired workers as a result of any cause including technological change.

The Pacific Maritime fund is somewhat more closely tied in with displacement adjustment programme. Some of the funds are used to induce early retirement where necessary, while the balance are available to maintain the incomes of union members who are laid off for reasons of technological change. There is no protection for union members against layoff resulting from other causes. More important, the large group of "B" longshoremen are excluded from union membership and from any protection against displacement. Thus the fund and the other contract provisions help an elite group but provide no protection for those workers most likely to be hit by displacement.

In Canada, the major case involving the creation of a fund is at Domtar. Here the fund is to be used for any devices the

parties may feel will facilitate the adjustment of displaced workers. Thus far the future of this plan is uncertain because of the failure of a number of unions to accept some of the terms. Domtar provides a very interesting case of a large multi-plant, multi-product company organized by a large number of unions (many of them at loggerheads with each other). The environment would appear to be most unfavourable to success. Yet in spite of the current deadlock, the fact that negotiations have proceeded as far as they have and that the majority of unions appear ready to make the concessions necessary (including some loss of autonomy and acceptance of inter-union seniority) is truly remarkable.

- g) Attrition is widely used as a device to ease displacement problems. Actually what it does is redistribute the burden of displacement. The older workers, often against their desires, are compelled or induced to accept displacement. Their retirement is accompanied by pensions to make it more palatable but it does not alter the fact of their displacement. Such plans are, in effect, a form of S.U.B. designed to be paid to those with the lowest life expectancy and therefore to those who are least expensive to support in this matter. It fits in with the accepted notions that the aged are entitled to financial support, with equity concepts concerning the prior right to employment of those with more dependents than the aged usually have and with the employers preference for keeping younger rather than older workers if faced with the choice. Nonetheless, it still involves displacement. To the extent that the

displaced are assisted, it is through the pension plans and not through attrition per se.

The attrition policy also raises the issue of "silent firings" or displacement of potential workers often young, new entrants to the labour force. It is argued that, to the extent that people would have been hired on in the absence of technological change, but are not employed because of the change, there is displacement as a result of the change. These people, of course, receive no protection from any of the contractual arrangements since they were not covered by the relevant agreements.

The Kotowitz article in the Kruger-Meltz volume (see Appendix) indicates that the issue is much more complicated than this. The change by lowering costs may increase sales. This will result in a rise in employment offsetting in part, or in total, the displacement effect and perhaps even raising employment. Also, the change will affect other related industries with unpredictable effects on employment opportunities. It is difficult to actually measure the net impact of any given change on employment once our perspective extends beyond the firm making the change to consider its "secondary" effects. Here most observers agree that Keynesian and other public policies should be employed to cope with adverse employment effects of change rather than burden the firm with any responsibility for "silent firings".

IV OTHER PROPOSALS -- AN EVALUATION

The extensive discussion of technological change in recent years has generated a number of proposals for handling the problem. The Freedman Report and the statements by the Economic Council of Canada provide two widely publicized examples of such proposals. It is impossible to treat all of the plans here but I feel that some consideration should be given to these two widely discussed Canadian schemes. Some reference will be made to other plans as well.

A. The Freedman Report

In the Appendix the reader will find a summary of the events leading up to this Report (Canada: Report of the Industrial Inquiry Commission on Canadian National Railways "Run-Throughs" (Ottawa: Queen's Printer, Nov. 1965) as well as a list of its principle recommendations. Although Freedman addressed himself to a particular displacement problem in a single industry, there has been considerable discussion of his proposals and their possible extension beyond the railway case.

Freedman deals with several contentious issues including:

- (i) the residual rights versus common law approach to collective agreements;
- (ii) the rights of unions and workers threatened by displacement;
- (iii) the rights of a community threatened by displacement;
- (iv) the responsibilities of companies, unions and the state in assisting worker adjustment to displacement.

We will deal with each of these in turn.

- (i) Freedman concedes that under existing law the residual rights doctrine prevails and supports management's contention that it can make any changes unilaterally unless specifically restricted by the terms of contract. He sees the necessity of preserving management's residual rights yet also accepts the merit in the union's contention that workers have property rights in their jobs which must be respected. The conflict is particularly sharp in the event of technological change. Freedman proposes that --management give thirty days advanced notice of such change and discuss with the union methods of facilitating adjustment --if an arbitrator finds that the proposed change will result in substantial displacement and if the parties cannot agree on arrangements for implementing the change, that the company be compelled to delay the introduction of new processes until after the agreement expires and the union can bargain over the issue with the support of a strike threat.

Both proposals are radical. While many companies might accept advanced notice, few would like to be compelled to do so by law. More significant is the second proposal which would result in delaying any major changes until the expiration of agreements. This in effect destroys management's residual rights where major technological change is the issue. It may also result in sizeable economic losses to the company as a result of

the imposed delay. To overcome this objection, Mr. Marchand has proposed that in the event management asks to implement a major change, the contract expire immediately and the parties open negotiations on this and related issues with a view to concluding a new agreement.

These proposals deserve consideration. Earlier I argued that in most cases, companies know of impending changes long before they are prepared to implement them. A legal requirement of thirty days advanced notice should not prove to be unduly onerous. As for making such changes negotiable, the "Marchand amendment" is preferable to the original Freedman plan. Marchand's proposal makes major change negotiable without necessarily imposing undue delays.

There are several problems raised by these proposals. First there is the difficulty in distinguishing between a minor change (where residual rights govern) and a "material" change. Then there is the danger that management may implement change in stages with each step involving a minor alteration but with a "material" change occurring over time. Arbitrators may have problems deciding these questions. Any adequate decision will involve lengthy hearings which themselves impose delays.

- (ii) The Report says that unions and workers have the right to advanced notice (as discussed above) in the event of technological change.

Displaced workers should be assisted in geographic mobility by the company. Specifically moving costs including loss of capital value of housing or expenses in breaking leases should be covered. Freedman contends that these workers should not bear the full cost of change and that management must be prepared to spend some of its economic benefits resulting from the change on these workers. He implies that if the cost of assisting displaced workers in this way exceeds the benefits to the company of making the change, then the change should not be made. He limits himself to the railways and does not face up to the problems of industries where import competition or entry are more likely to create pressures for technological change. He neglects the evidence on the unwillingness of workers to move even if incentives are provided. The Report devotes little attention to other adjustment programmes.

- (iii) In cases where a single firm is a major employer in a community, company decisions may adversely affect the community destroying considerable investment in social overhead capital (schools, roads etc.). Freedman recognizes the community interest in these cases and recommends advance notice to the community. In the railway case, he suggests a device for delaying change in such cases but his proposal is not immediately applicable to other industries. He does not resolve the problem of ensuring the protection of community interests. Nor does he really treat systematically the question of forcing companies to consider these

social costs in their decisions. In my article in the Kruger-Meltz volume (see Appendix), I do touch on this subject. The subject of "externalities" is of great importance in assessing many private decisions (pollution, safety etc., as well as worker displacement) and one that economists recognize as extremely difficult to treat analytically. If all social costs had to be considered before any change could be made, few innovations would ever be adopted. On the other hand, if external effects are completely ignored, many socially undesirable changes will occur.

- (iv) Companies, unions and governments are urged to accept some responsibility for promoting change and facilitating worker adaptation to change. Management's responsibilities as seen by the Report have been indicated above. Unions are encouraged to cooperate with management and to accept necessary changes in their philosophy and structure. Freedman was particularly concerned about union insistence on narrow seniority units on the railways which frustrated attempts to cope with displacement.

The state was to assist in manpower adjustment and was to reimburse companies for any economic losses resulting from imposed delays in implementing change. This would induce companies to accept delay and to work out arrangements with communities and unions to minimize their hardships. One wonders how one could establish the size of this subsidy and prevent serious abuses by companies. It seems to me that there is

enough time in most situations to permit adequate advanced notice without any loss by the company or any necessity for compensation. If compensation is to be paid, the onus should be on the companies concerned to demonstrate losses attributable to imposed delays that would not otherwise have occurred.

In summary, the Freedman Report is thoughtful and thought-provoking. It combines a diagnosis of the problems of the parties immediately involved with consideration of social costs and social concerns. The analysis is not explicit nor precise on this matter but Freedman does demonstrate an awareness of the complex problem. Although his principle concern is the railways, much of the discussion has broader significance. I would be prepared to accept compulsory advanced notice. There is merit in the suggestions that material change should be subject to the bargaining process (including the threat of stoppage) and that it is unreasonable to permit unilateral management action on major changes during the term of contract. Unless something is done here, we may anticipate bitter strikes over the principle of residual rights. Although I am critical of the Report's failure to cope adequately with the problem of introducing social costs into management's decisions, I concede that this is a problem where our analytical tools remain underdeveloped.

B. The Economic Council

The Economic Council of Canada has issued three publications

relevant to this topic. The first and most significant was A Declaration on Manpower Adjustments to Technological and Other Change issued November 1966. The Council discusses the various provisions that can and have been used in collective bargaining and urges wider adoption of these adjustment provisions. The Declaration adds to our earlier list of contractual arrangements the use of portable pensions to facilitate labour mobility. Great stress is placed on the need for advanced notice and joint consultation. The Declaration states that normally management knows of impending change well in advance of implementation so that advanced notice is not unduly burdensome. The fact that representatives of management joined union officials in signing the Declaration lends support to our earlier argument that economic theory suggests the existence of a substantial time lag in most cases. The Council statement notes that public policies designed to promote full employment are the key to the success of any programmes designed to facilitate the adjustment of displaced workers.

The basic role of Keynesian policies in this matter is something that almost all economists can agree on. Other programmes are designed to shift displaced workers to vacant positions. No such shift is possible unless the vacancies exist or are created. The spread of portable (vested) pensions would be useful. However, it would tend to raise the cost of pension plans and perhaps limit the ability to resort to induced attrition. There is little to quarrel with in this Declaration but there is little that is new, revolutionary

or thought provoking.

The Council issued another statement in February 1967. This document entitled Toward Better Communications Between Labour And Management asserts repeatedly that better communication provides good results for all concerned and contributes to a long list of goals including adjustment to displacement. Little proof is offered in support of these statements. In my opinion much that is said shows either naivete on the part of those formulating the document, or else a preference for consensus on general, rather harmless assertions over a careful examination of the problems. Here I will limit myself to the comment that improved communications can make a material difference only where the parties have shared objectives unknown to themselves which can be discovered by discussion. Where there is genuine disagreement, communications per se are unlikely to help much and indeed can be harmful by pointing out areas of disagreement that were not apparent.

In March 1967, the Council published Jean-Real Cardin's study Canadian Labour Relations in an Era of Technological Change. Cardin argues that the failure of collective bargaining in this area is largely the result of the interaction of outmoded union and management philosophy and archaic institutional structures. Bargaining units are relatively small and the focus in bargaining is on the goals of "actors" at the micro-level, (firm, craft etc.). Adversary roles are

emphasized with discussion confined to the infrequent periods when contracts must be redrawn.

His solution lies in broadening both the bargaining units and the perspective of the parties. The Swedish system appears to be his model of the ideal although he does not explicitly state this.

Although much can be gained by expanding bargaining units so that mobility is facilitated, I see little in Cardin's proposals that are likely to improve the situation. Our unions and companies are unlikely to accept national bargaining on the Swedish pattern. Here the presence of international corporations and international unions does make a difference although other factors also operate to inhibit centralization. Cardin puts great stress on communication as per se desirable, something I have already questioned. Finally, we should not confuse the functions of the state (with or without the participation of interest groups) in setting macro policies and the function of unions and collective bargaining in seeking to assist workers in coping with what is unique to their own situation. In the drive for centralization, we may lose much that is healthy and useful in our currently decentralized arrangements. In our attempt to remake collective bargaining so that it can cope with displacement we may destroy its ability to perform what it has done so well in the past.

Cardin's basic proposals are unlikely to be followed. I am not convinced that they would prove effective even if they did materialize.

C Other Proposals

Over the past decade more has been written on this subject than on any other topic in labour economics.¹⁵ In the course of this study, I have read an enormous number of studies, some describing specific experiments and others expounding general principles or panaceas.¹⁶ It is impossible to attempt a summary here. If the Task Force feels it would be useful, I could pull together a bibliography. Note that bibliographies are included in the case studies in the Appendix.

None of these books and articles produce anything beyond the sort of material in the studies I have cited. Few make any attempt to link empirical observation to hypotheses or to draw on the predictions of economic theory in the analysis of experience. No one has shown that collective bargaining as it is now practiced on this continent, is capable of doing much more than the limited sorts of experiments which are illustrated by the cases I have discussed in section III above. Nor has it been proven that reform of the collective bargaining process would permit bold innovation in this area. What such reforms could do is to facilitate the successful implementation of existing arrangements revolving around job transfer within the bargaining unit.

V SUMMARY

The following appear to be the major findings of this study:

- a) Measuring the rate of technological change at the macro or micro level is difficult.
- b) The employment impact of technological change is almost impossible to separate from other factors causing displacement.
- c) Technological change is not inherently labour displacing.
- d) Normally, in cases of major change, there is a considerable period between the decision to alter technology and the actual implementation of this decision.
- e) Dislocation can arise from a variety of sources in addition to technological change. The problem we face is dislocation regardless of its source, and not technological change per se.
- f) Firms making the change may not always be highly profitable. Often they act under the stimulus of losses.
- g) Where entry into an industry is possible (or import competition exists), new entrants (or foreign competitors) use the latest techniques with no demand on them to compensate displaced workers. Older firms shifting to new techniques are asked to implement costly assistance programmes. Often these firms are simultaneously burdened by the competitive disadvantage of heavy fixed changes associated with the purchase and use of older techniques. This two fold pressure to overcome the burden of fixed costs and to assist displaced workers when competitors face neither pressure can create serious hardships for these firms.
- h) Worker costs and benefits associated with change depend on worker values, prior training and experience, and conditions in the

relevant labour markets. Hardest hit are the lowest skilled, and the least willing to move. Management's decisions are motivated primarily by profit maximization. The government's approach is contingent on the relative importance attached to a variety of social and economic goals as well as on the political pressures of the moment.

- i) Most of the studies of collective bargaining and displacement are of two kinds. Some are limited to case descriptions. Others proclaim general principles or panaceas on the strength of hunches rather than tested hypotheses. Definition, methods of classification and methods of analysis are not comparable. No theoretical structure guides the studies. Thus little can be done to integrate them or to employ their findings in testing hypotheses. This Report contains a deficient but nonetheless valuable beginning at a more systematic attack. There is some evidence that certain of the environmental variables are significant in predicting the likelihood of particular kinds of contractual provisions.
- j) Our cases also produced other findings:
 - Displacement that does not involve moving out of one's community or shifting to another employer (or union) are the easiest to cope with through collective bargaining.
 - Workers do not take advantage of mobility grants. This means that when displacement occurs in an area with few alternative employment opportunities, collective bargaining is virtually impotent in assisting workers.

- Workers are not likely to accept retraining unless they are certain that training is tied to a specific job vacancy, preferably at a firm that employs them and provides the retraining.
 - Limited seniority units particularly in multi-union situations inhibit adjustment arrangements. Although there have been some notable instances of success in altering union policies, these are few in number and more than matched by the cases of failure to adjust even in the face of severe displacement problems.
 - More use should be made of the facilities of the Manpower Centres and of company and union contacts in the labour market to facilitate worker adjustment. The Ontario Hydro and General Steel Wares cases might be emulated by others.
 - Displacement funds have not accomplished much of significance thus far.
 - Attrition is a mechanism for allocating the burden of displacement and not a remedy.
- k) The Freedman Report touches on a number of important issues and makes some interesting proposals. It urges compulsory advanced notice arrangements and rejects management's residual rights in cases where a change will result in material displacement. These are radical suggestions. The Report touches on the question of community costs associated with such change and the need to bring consideration of these to bear on management's decisions. This issue is not resolved in the Report.

--The work of the Economic Council of Canada thus far is disappointing. The Council has pressed for the wider use of some of the procedures followed in the cases we have examined. It has pushed some questionable panaceas which have little basis in careful analysis and little likelihood of ever being implemented. The most valuable contribution it has made is in pointing out the crucial role of government aggregate demand policies in determining the degree of possible success of collective bargaining in this area.

VI SOME POLICY RECOMMENDATIONS

It is not my intention to usurp the functions of the Task Force in drawing its own policy conclusions from this and other studies. Nonetheless I cannot resist the temptation to include at least a few suggestions here.

A. Proposals for Changes in Union Policies

1. Mergers and Cooperation:

The first suggestion I have is one that has been made by many others in the past. The union movement should be restructured. Small unions in the same or related fields should merge. In particular, where there are a number of craft unions in a given industry, merger would be useful. This would permit a widening of seniority units and improve the prospects for negotiating and implementing adjustment

programmes. Technological change is more likely to threaten the very survival of a craft union than of an industrial union. Narrowly based unions cannot take advantage of any secondary employment expansion generated by a labour displacing change. Planning for adjustment almost invariably requires a framework broader than a single plant or skill for success in the event of severe displacement.

If merger is impossible, then every effort should be made to encourage multi-union collaboration in bargaining for and implementing programmes. The Ontario Hydro case illustrates the potential gains of such an approach and the Domtar experience demonstrates both the possibilities and the pitfalls in an effort to secure multi-union cooperation.

There is little ground for optimism concerning the ability of our unions to achieve this objective. The international ties of most Canadian unions make such collaboration unlikely here unless similar programmes are initiated in the United States. There is little evidence that U.S. unions are ready for massive mergers or greater cooperation with one another. The fact that we have national and Quebec-based unions in addition to the internationals, complicates the problem in this country.

2. Research:

Earlier I noted the failure of retraining as a device to facilitate the adjustment of displaced workers. Thus far the most

successful training has been rather narrow in scope and geared to the requirements of a specific job. This is precisely what most observers feel should not be done. Rather, these scholars stress the importance of the broadest possible training so that workers can handle a variety of jobs.

No one can quarrel with the suggestion that general education is good and preferred to specific education if workers can be induced to select the former over the latter. Little work has been done on developing techniques suitable for the retraining of adults with little formal education. Most of our education research is devoted to the problems of teaching the young. To the extent that effort has been expended on adult education, much of it has been geared to the needs and interests of those who have more formal education and a greater aptitude for general education than do the unskilled blue collar workers who are most likely to be displaced.

The trade union movement might well consider the idea of sponsoring research in this area. This could be done within the labour movement or by interested government and university specialists. Capable personnel are available in the Ontario Institute for Studies in Education and the new Community Colleges of Arts and Technology in Ontario and in similar institutions in other provinces. Departments of education and labour in the provinces and the federal Departments of Manpower and Labour could also contribute a great deal to such a programme. What is required is union pressure and perhaps some

financing in order to get this programme started.

3. Public versus Private Programmes:

Finally, unions should resign themselves to the fact that collective bargaining has a limited, albeit valuable role to play in the area of adjusting workers to displacement. The major burden must be carried by public programmes. Unions should press to secure improvements in the Manpower Centres, higher unemployment insurance benefits, larger pensions under the various government plans, improved manpower mobility programmes and so on. Most important is an awareness of the crucial role of monetary and fiscal policy in ensuring that jobs are available. A corollary to this (and one that cannot be explored here) is a recognition of the role that wage-push forces play in inhibiting the use of Keynesian policies to generate full employment.

B. Management's Programmes

There is little that I can suggest in the way of policies for companies to follow in this area. The fact that companies usually have the opportunity for advanced consultation does not imply that it is necessarily in their own interest to utilize this option. Much depends on past relations with the union, anticipated response of the workers and the expected impact on future labour-management relations of giving notice as opposed to suddenly implementing change. However,

companies should note that in none of our cases where advanced consultation occurred did management suffer as a result of this procedure. Furthermore, the long run risks involved in acting without warning must be weighed. A few more cases like the CNR Nakina-Wainwright incident (that led to the Freedman inquiry) or the Dosco case could result in legislation compelling companies to give advanced notice and engage in negotiations prior to initiating any major change.

Companies might also study alternative methods of assisting displaced workers so that when faced with demands by unions, they are prepared to suggest programmes that provide the greatest possible level of benefits for any given outlay. The General Steel Wares and Ontario Hydro cases demonstrate the potential payoff to all concerned of imaginative managerial initiative.

More specifically, firms should bargain for broader seniority units whenever changes are contemplated that might involve worker movement across existing seniority boundaries. They should also emulate the General Steel Wares and the Ontario Hydro management in drawing in the facilities of such public institutions as the Manpower Centres in any adjustment programme.

C. Public Policy

In my paper in the Kruger-Meltz volume (appended to this Report), I devote considerable space to discussing some of the pitfalls

of government action in this area. Public policy must examine such questions as the impact of the wage structure and changes therein on changes in the structure of employment and unemployment. When we talk about job vacancies, we must ask why these jobs are vacant. At what wage rate would the vacancy disappear? We must carefully examine the secondary effects of any given manpower deployment or industry deployment policy. Explicit recognition of welfare assumptions is vital. Finally, cost-benefit analysis could be applied profitably in judging on the level and mix of public programmes.

More specifically I would support the following recommendations most of which have been made by other observers:

- 1) Education of the youth should be as broad-based as possible.
- 2) We should disabuse ourselves of the idea that formal training is a full-time activity for youth and ends when one reaches maturity. Rather we might restructure the timing of our activities so that formal training continues to proceed during one's working years. This would require an extensive research programme to develop the great variety of education and training programmes suited to the diverse needs, abilities and interests to be found in the labour force. It would also require an enormous expansion in the already heavy public outlays on education and training.
- 3) Labour boards in deciding the appropriate unit in certification cases should favour broader over narrow units and industrial over craft organization. Certification of multi-employer units should be considered where this is deemed practical.

- 4) Legislation which provides for apprenticeship and licencing for entry into trades should be reviewed frequently to ensure that outmoded rules which create unnecessary barriers to mobility are not perpetuated.

We might consider following the lead of the United States in enacting legislation limiting union control over entry to trades or employment opportunities through restrictions on union security and controls over union dues and fees charged to prospective members. (See the Taft-Hartley Act.) Employers should be free to employ anyone they feel is qualified to fill a vacancy. Unions should not be permitted to prevent the employment of anyone who is willing to pay reasonable dues and fees to the union and is acceptable to the prospective employer.

- 5) Serious consideration should be given to the Freedman proposal for compulsory advanced notice prior to the implementation of a major change. This should apply only to cases where new equipment is involved and where displacement will result for more than a stipulated percentage of the workers. I would suggest sixty or even ninety days notice rather than Freedman's thirty days notice. I feel that unless some clear-cut provision is included in the law to indicate what is a major change (e.g. when 10% or more of the workers are displaced over a six month period) the legislation will not work. Arbitration is not appropriate here. The advanced notice legislation should be limited to cases of new equipment at

least at the outset. Cases of displacement for other causes (e.g. fall in sales) often are unpredictable and companies may be hard hit if required to delay layoffs for prolonged periods.

- 6) The Freedman-Marchand proposal that technological change involving major displacement be bargainable disregarding contract termination dates also has merit. The definition of displacement should not be limited to layoff but should include job transfer and job redefinition that may involve wage rate changes. Again some stipulated figure (e.g. 20% of the members of the bargaining unit) should be included in the definition of a material change but it should be a higher figure than is required for advanced notice. Compulsory bargaining is a much more drastic step than advanced notice and should be reserved for the more serious cases of displacement.
- 7) The basic weapons of public policy are the Keynesian tools (monetary and fiscal policy). Cost push forces inhibit their effectiveness. We should consider lowering tariffs, enacting more effective anti-combines legislation and enforcing such legislation and removing government imposed or government sanctioned barriers to labour mobility. All of these would assist in weakening cost push forces and permit more effective use of Keynesian policies. Manpower programmes would assume a subsidiary role and be designed to assist market adjustments, primarily through the dissemination of information and the lowering of high costs inhibiting mobility (e.g. moving costs, training costs etc.).

-) Collective bargaining would play a very limited role in assisting displaced workers. Yet nothing should be done to inhibit attempts to deal with the problem as far as possible through collective bargaining. Any legislation of a general nature is unsuited to some extent to the requirements of a particular situation. Collective bargaining can supplement broader public programmes to suit the requirements of a given group of workers. Also, collective bargaining provides a mechanism for innovation and experimentation with approaches which, if proven to be of value later may become incorporated in legislation.

FOOTNOTES

1. The author is indebted to Mr. E. Lightman, a graduate student at the University of California, (Berkeley California) who provided invaluable assistance in this study. Mr. Lightman did most of the work in assembling the materials for the case studies appended to this Report.
2. For an excellent discussion of this subject see J.W.L. Winder "Structural Unemployment" in A. Kruger and N.M. Meltz (ed.) The Canadian Labour Market: Readings in Manpower Economics (Toronto: University of Toronto, Centre for Industrial Relations, 1968).
3. See "The Triple Revolution", Advertising Age, April 6, 1964 or G. Piel, Consumers of Abundance, Centre for the Study of Democratic Institutions, 1961.
4. See W.A. Faunce, "Automation and Leisure" In H.B. Jacobson and J.S. Roucek, Automation and Society (New York: Philosophical Library, 1959) or Ida Hoos, Automation in the Office (Washington: Public Affairs Press, 1961) or G. Friedman, Industrial Society (Glencoe Illinois: Free Press, 1955).
5. See J.W. Kendrick, Productivity Trends in the United States (Princeton: Princeton University Press, 1961); E.F. Denison, The Sources of Economic Growth in the United States and the Alternatives Before Us (New York: Committee on Economic Development, Supplementary Paper No. 13, 1962); Y. Kotowitz, "Technological

Progress and Labour Displacement" in A. Kruger and N.M. Meltz, The Canadian Labour Market (Toronto: Centre for Industrial Relations, University of Toronto, 1968); Y. Kotowitz, "Production Functions in Canadian Manufacturing 1926-39 and 1947-61" (Unpublished mimeo.).

6. See Y. Kotowitz, "Production Functions in Canadian Manufacturing 1926-39 and 1947-61" (unpublished mimeo.).
7. See G.K. Cowan, Proposed Measures to Facilitate Manpower Adjustment to Technological and Other Change (Ottawa: Economic Council of Canada, 1966).
8. An example of this difference in union attitude is the difference in the reaction of the railway firemen and the boiler makers to the introduction of the diesel engine. The change meant the destruction of their skill and union for the firemen whereas the boiler makers had alternative jobs to go to where their skill was utilized and where they often remained within their union. The firemen fought the innovation longer and harder than did the boiler makers. I am indebted to Professor John Dunlop of Harvard University for this example.
9. For further discussion of the basis for government concern and for an evaluation of public policy in this area see A. Kruger and N.M. Meltz, The Canadian Labour Market (Toronto: Centre for Industrial Relations, 1968) particularly the article by Kruger

(reproduced in the Appendix to this Report), Winder and Drummond. For further discussion of public policy goals see Economic Council of Canada, Fourth Annual Review (Ottawa: Queen's Printer, 1967), page 2.

10. See J.W.L. Winder, "Structural Unemployment" in A. Kruger and N.M. Meltz (ed.), The Canadian Labour Market: Readings in Manpower Economics (Toronto: Centre for Industrial Relations, University of Toronto, 1968).
11. Most of the work in compiling the material for the summary of cases which I use here was done by Mr. E. Lightman, a graduate student at the University of California, Berkeley California.
12. There is no need here to repeat the findings of the numerous studies on worker mobility. See the Winder study in the Kruger-Meltz volume for a review of this literature.
13. Major exceptions are recent immigrants and disadvantaged groups (U.S. Negroes, or Indians etc.) who may have the aptitudes but lacked opportunities or found that the "costs" (including breaking strong cultural patterns) were unduly high.
14. The Scanlon Plan is discussed briefly in the Appendix. See also F. Lesieur (ed.), The Scanlon Plan (Cambridge Mass.: M.I.T. Press, 1958).
15. For examples and further references see J. Dunlop (ed.) Automation and Technological Change (Englewood Cliffs: Prentice-Hall, 1962); M. Philipson (ed.), Automation Implications for the Future (New

York: Vintage Books, 1962); Somers et al (ed.), Adjusting to Technological Change (New York: Harper and Row, 1963).

16. See the summary descriptions of the Scanlon Plan and the Nova Scotia Agreements in the Appendix for two interesting cases. The Scanlon Plan is a device to promote technological change and share the gains. The Nova Scotia Agreement is designed to provide broad guidelines for collective bargaining on the matter of worker displacement.

THE CANADIAN LABOUR MARKET
Readings in Manpower Economics

(312 pages)

Edited by

A. M. Kruger
N. M. Meltz

Centre for Industrial Relations
University of Toronto
1968

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PROPOSED MEASURES TO FACILITATE MANPOWER ADJUSTMENT TO
TECHNOLOGICAL AND OTHER CHANGE

(49 pages)

TWELVE SELECTED CASE STUDIES

G. K. COWAN

National Conference on Labour-Management Relations

convened by the

Economic Council of Canada

November 21 and 22, 1966

Montreal

NOTE: Copy of book attached to original of report only.

KRUGER "CASE STUDIES"

--American Motors Progress-Sharing Plan

--Armour Automation Committee

--Basic Steel - Human Relations Committee

--Dortar

--Imperial Oil - C.C.A.W. (Ioco, B.C.)

--Kaiser

--ILWU - PMA

--Quebec Iron & Titanium

--Railroads - Kellock Royal Commission

AMERICAN MOTORS PROGRESS-SHARING PLAN

1. Source and Pressures for the Plan

American Motors Corp. was created in 1954 by a merger of the Nash-Kelvinator Corporation and the Hudson Motor Car Co. Losses in the three years from 1954 to 1957 totalled nearly \$50 million. The financial position of AMC improved after 1957, and by late 1960, the company had obtained 6.42% of the auto market with pretax profits of \$105 million in 1960. American Motors was, however, still small by industry standards.

The primary union involved with American Motors is the giant UAW (AFL-CIO) under the leadership of Walter Reuther.

American Motors in 1954 inherited many inefficient and costly labour practices, primarily from the Nash Company. Wage rates, production standards, pension plan and the seniority system were all more costly at AMC than in the rest of the industry. As a result, the company claimed it was unable to follow the "pattern bargaining" of the Big Three.

In 1955 and 1958, the company insisted that its working conditions, wages and financial position would NOT permit it to follow the industry pattern. Although the company's auto agreements were in fact substantially in line with the rest of the industry, AMC did receive certain important concessions in the SUB programme and at the Grand Rapids appliance

plant, which had the highest labour costs in the industry.

2. Development of a Response

Walter Reuther, president of the UAW, originally (in the 1920's and 1930's) considered profit-sharing a management gimmick to discourage union organization and growth. In 1955, he rejected as discriminatory a "Big Three" proposal for an employee stock ownership plan.

By 1958, however, Reuther had come up with his own plan. Each corporation, after paying basic wage and salary costs and basic dividends, should divide the excess as follows:

- one-half to stockholders and executives
- one-fourth to wage and salary workers
- one-fourth to consumers through a year-end rebate.¹

Although the Big Three denounced the proposals, AMC did not and hinted privately that the idea would be considered in exchange for union concessions on work agreements. The responsiveness here may be largely attributable to the personal philosophies of AMC President George Romney and Edward Cushman, Vice-President in charge of most of the bargaining. Both are deeply religious men with a deep sense of responsibility to the workers. Cushman especially felt that if the workers could identify their immediate welfare with the welfare of the company, then many of the profit-wasting practices could be eliminated.

1. See I.B. Helburn, p. 12.

Nothing was done with regard to Reuther's proposals in 1958. In 1961, Reuther knew that AMC was anxious to avoid having the industry pattern forced upon it and as a result, he began his serious bargaining on this front. On the second day of hard bargaining in 1961, American Motors took the initiative and proposed the following:

- 1) a "progress-sharing fund"
- 2) the elimination of both the annual improvement factor and the cost of living clause.
- 3) a freeze on employee benefit programmes
- 4) creation of a new "American Motors - UAW Joint Conference".

The total package contained several other proposals designed to enable the company to cut costs.¹

The package was tailored to fit the particular needs of American Motors. If things went well, the Company was willing and anxious to reward the employees. If things went badly, however, management did not want to be saddled with a heavy fixed wage bill in the form of a pattern settlement. Thus, the insistence on the right to tighten up on work practices was an integral part of the offer.

Subsequent bargaining produced modification and amplification of the original proposals. The final settlement was reached about a month later, after the UAW had turned its interest toward the Big Three.

1. For details of Company proposals, see I.B. Helburn, pp. 13-14.

3. Scope of the Plan

The American Motors Progress-Sharing Plan was to apply to all U.S. employees represented by unions who completed 60 days of employment and acquired seniority. Membership of discharged employees would end on the date of discharge. A participant would remain a member until the end of the fiscal year in which he quit, retired, died or became disabled.

The plan originally covered the 23,000 hourly employees of AMC. A similar plan was voluntarily set up by the company for the 4,000 salaried employees after the blue collar plan was established.

Although the agreement was negotiated between the company and the UAW it was subsequently accepted by all other unions representing American Motors employees.

4. Procedural Mechanisms

The agreement provided for the creation of an American Motors-UAW Conference. This was to provide an avenue of communication, establish a method for developing greater mutual understanding and a sounder basis for co-operative action. There were to be periodic conferences away from the stresses of the bargaining table.

It was felt that greater progress could be made through this type of consultative mechanism than through a multi-employer structure.¹

1. Cushman, "Progress Sharing and Its Implications", RRA, 1961, p.320.

A top-level committee of 6 (3 from the union, 3 from the company) was charged with the responsibility of implementing the plan. The Committee was to do "all things necessary and proper to cause this Progress Sharing Plan to function".¹

Decisions regarding the allocation of funds within the benefit fund were to be the responsibility of a twelve man committee (6 from each side), called the Joint Allocations and Priorities Committee. Four of the union members on this Committee were presidents of the local unions and the other two were international UAW representatives.

5. Substantive Mechanisms

The main features in the final agreement included the following:

- 1) A profit-sharing plan which made available for employee benefits 15% of the balance after the deduction of ten per cent of the stockholders' investment and net worth from profits before taxes. Two-thirds of this (10%) is administered by the Joint Committee described above, which will determine how the money is to be spent (e.g. wages, fringe benefits, etc.). The remaining five per cent is composed exclusively of stock which is placed in a trust fund for each individual worker. This stock may be withdrawn from the fund under special circumstances such as retirement, layoff, or illness.

1. Agreement, Exhibit D, Paragraph 7.

- 2) Continuation of the annual improvement factor and of the cost of living wage formula, despite the company's original insistence they be dropped.
- 3) Immediate transfer of a \$3 million surplus from the existing joint insurance fund to the progress-sharing fund.
- 4) A clear, unchangeable management rights clause listing exclusive management and union functions.

The union agreed among other things, that company books were confidential and that progress-sharing would be based on audited public figures. New local agreements at Kenosha and Milwaukee permitted American Motors to eliminate excessive paid-time-not-worked, to revise seniority clauses and to establish a sound basis for production standards. These concessions, in total, were quite important to the company.¹

- 5) Continuation of present employee benefit programmes from a company fixed-cost standpoint, with the increased costs of various liberalized benefits financed from the progress-sharing fund. These include improved retirement pension, S.U.B., short work week, hospital-medical, accident-sickness and jury duty benefits.

1. Healy (ed.), p. 46.

6. Experience under the Plan

In spite of some problems of inefficiency at the Milwaukee plant, American Motors first year under the plan produced an average of 7.3 shares of stock¹ for each of the 27,000 employees. In addition, \$6.5 million was made available through the progress-sharing fund to pay for improved pension and insurance benefits and also to make a substantial contribution to the contingency reserve.

Some increased union-management communications did come about through the A.M.C.-U.A.W. Conference, which also established counterparts at the local levels to discuss local problems. However, these joint conferences actually achieved very little in improving relations and have never amounted to much.

In 1963, A.M.C. profits increased by 10.4% to \$37-8 million, but the profit-sharing contribution fell 5.3% (by about \$500,000) to \$9.25 million. Each of the 29,538 workers received an average of 4.9 shares, with the market price of each share up about \$5.00 from the previous year.

After the 1963 payout, many U.A.W. members expressed dissatisfaction with the plan, primarily because profits had increased while their share had dropped.

In spite of a substantial layoff in 1964, there was a third

1. Originally estimated worth \$112.50, actually worth \$120.45.

payoff under the first sharing agreement.

Several changes resulted from the 1964 negotiations with the union.¹

Basically, the plan was converted to a cash pay-out basis. The stock which was accumulated under the earlier Plan was distributed to eligible employees. The benefit improvements which were financed under the earlier Plan were assumed by the corporation as a direct obligation.

In neither of the first two years of current contract (1965-1966) were the company's profits large enough to generate a contribution to progress-sharing. If it had not been for the reserve funds carried over from the earlier Plan, A.M.C. employees would have fallen below the industry vacation pay pattern. The reserves accumulated under the prior Plan were sufficient to pay one week's vacation pay in each of 1965 and 1966. This will not be true in 1967.

8. Evaluation of the Plan

The American Motors Progress Sharing Plan was devised to fit the particular needs and circumstances of that corporation. Several reasons may be suggested to account for the original 1958 proposal:

1. Hotchkiss, W., Manager Economic Analysis Department, A.M.C., Letter, 18, July 1967.

- 1) A.M.C. could choose either an early settlement or acceptance of the big three settlement on a pattern basis.
- 2) Certain work rules and seniority provisions severely restricted the company and placed it at a major competitive disadvantage.
- 3) A.M.C. believed that profit-sharing was superior to a simple power struggle, particularly when they feared they had less power than the union.
- 4) Reuther had been interested in profit-sharing and desired to use the A.M.C. pact as leverage in negotiations with the larger producers.
- 5) The personal philosophies of Romney and Cushman led them towards innovation and away from traditional straight jackets.

American Motors felt very strongly that the annual improvement factor and especially the cost-of-living provision were potentially inflationary. However much they may have wished to have them removed from the contract, the company was forced to accept their continuation primarily because the U.A.W. insisted and had comparable clauses with the Big Three. It has been suggested that these clauses may be the only mutually acceptable cushions against loss-sharing under the U.A.W. - A.M.C. contract.¹

In the long run, the improvements on seniority and work rules

1. W.J. Howell, Jr., "The American Motors Progress-Sharing Plan". A new Approach to Collective Bargaining, Madison, August 1962, p. 32.

clauses may well be the most significant and beneficial results for American Motors. Cushman estimated these changes when implemented would save the company \$2 million a year.¹

It is impossible to assess the extent to which the progress-sharing plan was responsible for the success of operations in 1962. It was the feeling of both union and management that the plan did contribute somewhat to improving A.M.C.'s profit position in the first year.²

There are several reasons for the drop in the worker's share in 1963.

- 1) The number of workers involved rose from 27,000 to 29,538.
- 2) The company's stockholder investment rose due to
 - a) higher retained earnings
 - b) rise in the value of A.M.C. stock
 - c) greater number of A.M.C. shares outstanding.
- 3) The profit make-up changed.

Redisco (A.M.C. financial subsidiary) and foreign operations both had much greater profits in 1963 than 1962, but neither is applicable to the progress-sharing agreement.

The results in 1967 may well be crucial for the continued

1. Helburn, p. 18.

2. Helburn, p. 38.

existence of the fund. A.M.C. profits, as in the last two years, will be too low to make a contribution to progress-sharing for the first time, reserves in the contingency fund will be inadequate to compensate. Three alternatives would appear to be possible:

- 1) The whole scheme will collapse.
- 2) The company will come through with supplementary payments so that A.M.C. employees do not fall behind the rest of the industry.
- 3) The plan will survive its first lean year, perhaps undergoing substantial modification in the process.

Which of these will emerge at this point remains to be seen.

The joint conferences have accomplished little. Few meetings were held and management feels the U.A.W. did not deem the conferences worthy of staffing with good people.¹

The U.A.W. is engaged in bargaining on some front almost continuously and may in fact not consider these conferences high on their list of priorities.

Overall profits may be said to depend on two factors: costs,

1. Healy, p. 49.

and sales. Sales, except very indirectly, cannot be affected by the employees. Some costs can be influenced by worker motivation, while others (fixed costs, executive salaries, etc.) cannot.

A profit-sharing plan, in isolation, is little more than a "gimmick",¹ at least in the sense that total profits are contingent upon so many variables beyond employee control. To the extent that costs can be cut and profits thereby increased through increased employee motivation, (including here improved work rules, etc.) the success of the plan lies with the employees. To the extent that profits depend on other variables, the employees will gain (or suffer) for factors over which they have no control.

For the long-run success of such a plan there must be a fundamental commitment on all sides to cut costs and improve efficiency in every way. The rewards follow as this is achieved.

Whether such a change in attitude has in fact occurred at American Motors is at best, a questionable assertion.

1. Healy, p. 49.

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ARMOUR AUTOMATION COMMITTEE

1. Source and Pressures for the Plan

The two major unions in the meat packing industry, the Amalgamated Meat Cutters and Butcher Workmen of North America (AFL-CIO) and the United Packinghouse Food and Allied Workers (AFL-CIO) have very different histories. The Amalgamated, established in 1890, is a larger, older and more conservative union with a craft background. Although it was never able to organize the Big Four producers on a national basis, it did expand operations from the packing plants into the retail meat markets, where it made notable successes among the "block butchers".

The Packinghouse Workers has always been a militant industrial union. The Packinghouse Workers Organizing Committee was established by the CIO in 1937 with the plants of the Big Four producers as primary target. By 1943, national contracts had been won with all the major packers, through the aggressive membership drives based, among other factors, on a policy of non-discrimination.

A strong rivalry existed between the two unions in the 1930's and 1940's. In 1953, the two unions negotiated a no-raiding mutual assistance pact and after the AFL-CIO merger, a merger of the two unions appeared certain. It never came about, however, largely because of the basic differences in philosophy.¹

1. Healy, p. 139.

Although the two unions have about equal membership in the meat packing (as opposed to retail) area, the UPWA has remained the more militant. It has shown little inclination to compromise on any issue that may involve reduction of the work force.

The unions co-operate in the negotiation of contracts. The companies do not bargain on an industry basis, fearing the disclosure of confidential information to one another. The unions have bargained for simultaneous termination dates, with the first major contract (usually with Armour or Swift) serving as the pattern for the others.

The meat packing and slaughtering industry, one of the largest in terms of value of product, is generally considered to have been one of the first "mass production" industries in the U.S. Prior to World War II, the industry was highly concentrated in the Big Four (Swift, Armour, Wilson and Cudahy). Today, the first three are still the giants, although it is more accurate to speak of the "nine national packers".

The development of improved roads and refrigerated truck transportation, together with a shift to processed meats in great volume, made decentralization of the industry more economical. It became cheaper and more reliable to construct the packinghouse nearer to the livestock-producing areas and to ship the finished product to the markets. The result has been a proliferation of small packers with small capital outlays in low wage areas. Also, slaughtering operations have become less seasonal and cyclical in nature; as a result the large capacity which the national

packers retained for peak loads has become unnecessary.

The domination of the Big Four was substantially mitigated. These competitive pressures also resulted in consolidation of operations by the big producers with the closing of older plants and the introduction of new, mechanized operations in the livestock-producing areas. Total employment in the industry dropped from 191,000 in 1956 to 160,000 in 1960.¹

The bargaining relationship within the industry has a long background of strife. A nation-wide strike by both unions in 1946 resulted in government seizure and operation of the industry. A ten-day strike at Swift preceded the 1956 settlement and in 1959, there were long strikes at Swift (52 days) and Wilson (119 days).

Armour and Company, the second largest producer in the U.S., felt the competitive pressures after 1945 and underwent two major reorganizations involving substantial diversification.

During the years 1956 to 1958, the company closed five of its older plants and in June 1959, with little warning, six more plants were closed; these included two major ones at Chicago and East St. Louis and four smaller plants at Columbus, Ohio; Fargo, N.D.; and Atlanta and Tifton, Georgia. More than 20% of the total plant capacity was shut down and 5,000 production employees were terminated. Over \$10 million in separation pay went out to 25% of the organized Armour work force (40% of the UPWA bargaining unit). In 3 years, Armour's production and

1. "Progress Report Automation Committee", 1962.

maintenance employees dropped in total from 25,000 to 15,000.

2. Development of a Response

Negotiations for a new contract between Armour and the two unions opened on a very tense note in 1959 due primarily to the steel strike, then in effect, and the anxiety caused by the recent plant closings. From the outset, it was clear that job security would have to be dealt with in some way in the contract. Among the union demands were the following:

- 1) Shorter workweek with no loss in pay;
- 2) Vesting of pension rights;
- 3) Increases in separation allowance;
- 4) Guaranteed employment;
- 5) Limitations on job combination and subcontracting;
- 6) Advance notice of shutdown;
- 7) The right to reopen the entire contract should there be another plant closing.

As negotiations continued with no prospect of agreement on the issue of job security, a strike began to appear probable. Shortly before contract expiration, the company proposed an automation fund.

Within management, there were varying opinions as to the feasibility of implementing such a concept; it is unclear whether management fully understood the consequences and nature of the commitment.¹ The unions were skeptical, but felt obliged to give the plan a chance.

1. Healy, p. 143.

In the early meetings, opinions ranged over the spectrum from hopeful to clearly skeptical. The early successes were largely attributable to the efforts of the neutral chairman and his executive director.

The income of the fund was to be used primarily for "studying the problems resulting from the modernization program and for making recommendations for their solution."

3. Scope of the Plan

Rather than a one union-several employer agreement the Armour Committee applies to the one company and two unions. The pattern set by Armour, including a fund and committee, was imposed upon Morrell, Rath, Hygrade, Cudahy & Oscar Meyer (the latter accepted only a committee). The other two-thirds of the "Big Three", Swift and Wilson, would accept neither fund nor committee. However, the costs of the total packages agreed to by these latter two (after strikes of 52 and 119 days respectively) were at least equal in amount to the costs of the total packages of the other national packers.

Although the unions wished some of the provisions (such as transfer rights) to apply on an industry-wide basis, there were no results in this direction.

The two-year agreement between Armour and the unions covered the 14,000 production and maintenance employees in 26 plants.

4. Procedural Mechanisms

An Automation Committee, was to be established with four

representatives of management, two from each of the unions, and an impartial chairman. The company named its chief negotiators to the committee as well as the executive in charge of introducing technological change. Both unions chose high ranking officials.

There was no difficulty in choosing as Chairman, Dr. Clark Kerr, of the University of California who had served as industry arbitrator during the war. At his suggestion, Professor Robben Fleming of the University of Illinois was appointed executive director to handle the day-to-day details.

The committee was to administer an Automation Fund which would be financed by company contributions of one cent per hundred-weight of product shipped from slaughtering and meat-packing plants up to a maximum of \$500,000 during the two-year contract period.

The fund was to be jointly administered. This represented a new direction for Armour and the Unions since earlier plans (pension, hospital-medical and termination pay) had been unilaterally administered by the company.

The fees and expenses of the chairman and executive director would be paid from the fund. Union and company members would receive no fees with their expenses being paid by the respective parties.

There was little difficulty in agreeing upon ground rules and a method of operation. Meetings were to be held about once a month and the stress was to be on informality. Opinions were to be expressed

without commitment and the bargaining atmosphere was to be avoided.

Although the proceedings were to be kept confidential, the establishment of the fund and Committee were widely publicized, primarily by the Company. It is suggested that this may actually have had a beneficial pressuring effect upon the Company to produce results in the early stages.¹

5. Substantive Mechanisms

It should be stressed just what the purposes of this fund were to be. Other funds are used to provide benefits to the employees. This fund was primarily to study the problems created by modernization.

The Agreement specifically prohibited expenditures from the fund for severance pay but did explicitly state the costs of retraining could be paid from the fund. The emphasis, however, was clearly on expenditures for research rather than employee benefits.

Expenditures from the fund have been made for four major purposes:

- 1) Joint Discussion Meetings -- Monthly meetings were held in the presence and with the assistance of qualified neutrals. Areas in which research was felt to be useful were decided in these meetings and when papers had been prepared it is here that they were discussed.

1. Healy, p. 145.

2) Research Studies -- The following six studies were carried out:

1. A three-city study -- Columbus, Fargo, East St. Louis -- of the employment and economic problems faced by workers displaced due to plant closings. (By Professors Wilcock and Franke, University of Illinois)
2. Problems involved in attempting interplant transfers of employees from plants which had been closed to those still in operation. (By Professor Arnold Weber, University of Chicago)
3. A study of the economic prospects of the meatpacking industry from 1960 to 1975, with particular reference to employment prospects. (By Professor Milton Derber, University of Illinois)
4. Problems involved in providing adequate maintenance personnel for automated equipment. (By Professor Bernt Larson, University of Illinois)
5. An analysis of the Armour severance pay plan. (By S. Herbert Unterberger, Philadelphia, Pa.)
6. Problems of advance notice of closing a plant. (By Professor Arnold Weber)

3) Pilot Retraining Programme -- In July 1960, Armour closed its plant in Oklahoma City, eliminating the jobs of 431 production employees. The Committee decided to undertake a pilot retraining project under the direction of Professor Edwin Young, University of Wisconsin, to help the unemployed get new jobs. The State Employment Service gave tests to the employees and the company paid the major portion of the cost of retraining those who qualified.

- 4) Pilot Transfer Programme -- The Automation Committee worked out an arrangement whereby workers from Oklahoma City would be offered the right to transfer to Armour's Kansas City plant with expenses being paid from the fund. The employees were promised the same wages and working conditions in Kansas City but for purposes of severance pay, pension rights and departmental seniority, they would be treated as new employees in Kansas City; they would be permitted the regular vacations, sick leave and other benefits.

The 1961 Agreement contained six contract changes which may be traced to the work of the Automation Committee.

- 1) The company must give 90 days' notice before closing a plant or department.
- 2) Transfer of seniority rights was introduced. If an employee is transferred to a "replacement plant", he will carry with him all continuous service and seniority rights held at the closed plant.
- 3) The fund was to pay relocation costs.
- 4) Technological adjustment pay (T.A.P.) was established to provide funds for displaced workers awaiting transfer.
- 5) Severance pay was improved.
- 6) Employees could retire early at age 55 at one and one-half times full retirement pay.

6. Experience under the Plan

During the first nine months of the plan, several patterns became clear.¹

1. Healy, p. 148.

- 1) Most of the impetus for the successful operation of the Committee came from the two neutral members.
- 2) All of the outside work was being carried on by consultants and so there was little day-to-day participation by Union and Company members.
- 3) Dr. Kerr's time was so tight that meetings were held less frequently than planned.
- 4) The fund was being used to finance research studies. No benefits were being paid to displaced employees.

The sudden announcement by the company of the Oklahoma City closing changed what was becoming an increasingly valuable exchange into a hostile confrontation.

The Oklahoma State Employment Service found that only 35% of the displaced employees could benefit from retraining, advising the others to seek work as casual labourers. Only eight jobs were eventually secured as a direct result of the retraining.

Although about 50% of the employees questioned said they would like to transfer to Kansas City, the employment situation there deteriorated before the plan could be made effective.

Under the terms of the Agreement, the Committee was to file a progress report six months before the contract expiry date. A report finally appeared dated June 19, 1961, four months late. It was produced only after heated disagreements, with a substantial union dissent.

When the company announced in the summer of 1962, that it was closing the Fort Worth and Birmingham plants, the Packinghouse Workers tried to have a distribution centre which was opened at Arlington, Texas to serve the region, named as a replacement plant. Kerr, arbitrating, decided for the union and the employees were transferred, though the replacement plant issue remained unclear.

The Committee agreed to provide assistance to the displaced workers in Fort Worth. There was greater success with retraining here than in the Oklahoma City experience, though even here the results were minor.

In June 1963, Armour closed a major plant in which the Packinghouse Workers had bargaining rights at Sioux City, Iowa. The Committee here had greater success: between pension plans, the transfer plan, retraining projects and placement efforts, over 900 of the 1150 displaced workers received some form of income maintenance or retraining or placement assistance.

When the project terminated 2 years after shutdown, over 750 of the 1150 had obtained re-employment through all options -- about 100 were unemployed and seeking work. The other 300 had either retired, migrated from the area or withdrawn from the labour force.¹

1. E.H. Conant, "The Armour Fund's Sioux City Project", MLR, Nov. 1965, p. 1298.

8. Evaluation of the Plan

When the parties agreed upon the means of financing the Automation fund, both sides knew that the upper limit of \$500,000 would be reached well before the contract expiration date. In effect, then, the financing formula involved a fixed payment of \$250,000 for two years. Several reasons can be suggested why the one cent per hundredweight formula remained in the Agreement.

- 1) The company may have wished to impress on the workers the fact that payments were related to production.
- 2) Since payments would cease 9 months before contract expiration, the company could stress that the fund was a one-shot effort rather than a continuing obligation.
- 3) The union may have desired the precedent. As output increases, revenues would increase if there were no maximum.
- 4) As productivity increased, income per employee would rise even more rapidly than total income.

During the first two years, only \$100,000 (20% of the fund) was used. It was, therefore, decided in 1961 to discontinue payments to the fund. There is a valid point that as long as research alone was being undertaken, there was no need for a fund; any specific projects could be paid for by the company or jointly financed as the need arose. Even when the Committee became involved with assisting the workers more

1. Kennedy, p. 141-2.

directly, lack of funds does not appear to have placed a constraint on operations.

At this point, some comments will be in order concerning the individual projects undertaken:

- 1) The Oklahoma City experience was a hastily improvised attempt to provide some immediate assistance to workers whose jobs had already disappeared. There was no carefully worked out research design; the pressing concern was to help the former production workers.¹

Even so, the results in Oklahoma City were discouraging. Perhaps a major factor here was an increase in the unemployment rate from 3% to 7% while the training program was underway. While the jobs which did result from retraining were worth the expenditure, retraining on a "crash" basis is unlikely to prove satisfactory for the majority.²

Although the worsening situation in Kansas City prevented implementation of the transfer scheme at that time, the parties did feel the exercise useful for the future.

The parties concluded at this time that no amount of contact or promotion with other employees or the Employment Service is likely to produce any significant number of jobs, in a time of rising unemployment and that the public employment service as currently

1. Edwin Young, "The Armour Experience: A Case Study on Plant Shutdown" Somers ed., p. 157.
2. Kennedy, pp. 148-9.

structured, was relatively ineffective.¹

- 2) Subsequent experience with relocation proved disappointing at first. Only 3 out of 1000 elected to move in Fort Worth. However, in Sioux City, where workers were given the option to return within six months at company expense, approximately 190 moved to other Armour plants within the first six months after shutdown.² After Oklahoma City and Fort Worth, the parties concluded a privately sponsored programme encounters problems and in Sioux City, they worked more closely with M.D.T.A. officials.

- 3) In Sioux City, those choosing transfer were the most satisfied with the option chosen.³ The main reasons for choosing transfer were
- a. the poor outlook for jobs in Sioux City;
 - b. the option allowing them to return to Sioux City within 6 months without loss of separation pay.

The main reasons for choosing separation were also two in number:

- a. fear of insecurity;
- b. susceptibility to layoff associated with low-seniority jobs at new plants.⁴

In assessing the overall success of the Armour Committee, the goals for which it was established must be remembered: the Committee was not set up to provide payments directly to displaced workers; it was

1. Progress Report, pp. 7-8.

2. Bok & Kossoris, p. 31.

3. Pickler, "Means of Adjustment to Technological Displacement", MLR, March 1967, p. 33.

4. E.H. Conant, "Report & Appraisal: The Armour Fund's Sioux City Project", MLR, November 1965, p. 1299.

intended to be a research committee, to study the problems associated with displacement. It did provide, to some extent, bases on which traditional bargaining could proceed. This was shown most especially in the six provisions of the 1961 contract.

Even within this limited framework, however, the Committee has been but a partial success:

- 1) The parties relied excessively upon the neutrals, especially Kerr, to the virtual exclusion of their own initiative and ideas. It follows that Kerr's limited time with the Committee due to his many outside commitments severely limited the accomplishments.
- 2) Clear goals and objectives were never established. There seem to have been differing ideas between the parties and even within each side as to what the original goals and scope of the Committee were to be. Many contentious issues were merely avoided rather than confronted.
- 3) While the publicity may have provided an initial impetus for the parties, over the long run it has tended to subvert co-operation and mutual trust.
- 4) There was little day-to-day effort by the parties. There was virtually no contact outside the infrequent meetings and as a result, little operational co-ordination.
- 5) The studies should not have been farmed out to consultants. Although neither side had the resources to undertake the studies themselves, joint study committees would have produced a much closer commitment

for subsequent action. The studies might have been less academic, but they would have been of greater direct value to the parties.

- 6) The Unions accused the Company of a number of faults:
- a. The company was overly secretive and evasive with regard to future plans. Plant closings were announced with the minimum advance notice allowed under the contract. There is a strong possibility that the management members of the Committee were not at fault, not having been informed of future plans by the operating people in the company hierarchy.¹
 - b. Top management's attitude was inconsistent, especially right at the top. As a result, Ralph Helstein, chief union negotiator, distrusted management and was more unyielding in his attitude than might otherwise have been the case.
 - c. The union claims the company has used threats of curtailed production or even plant shutdown to "intimidate" the workers; also, rather than maintaining seniority workers in allocating reassigned jobs, the company resorted to hiring new, low-paid workers.²

Although the Armour employees who were displaced prior to 1961 received little or no benefit from the fund, the main gains have been in subsequent contract changes which the work of the Committee helped bring about. The relationship between the parties has been tense, perhaps increasingly so as time passed. What the Committee will do, what its

1. Healy, pp. 162-3.

2. Pulp Workers, p. 263.

achievements in the future will be, remains to be seen. The financial restrictions faced by the Company will limit the realm of the possible and a hard line on both sides will even further impede co-operation. The Committee has not been a complete failure, but its successes have been limited. Its impact perhaps has been greater in academic circles and less in the practical sphere than any of the other plans. This, in a sense, may be the strongest criticism of the plan.

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BASIC STEEL - HUMAN RELATIONS COMMITTEE

1. Source and Pressures for the Plan

The four largest steel companies, U.S. Steel, Bethlehem, Republic and Jones & Laughlin, account for 60% of the industry's ingot capacity; the 10 largest companies account for 80%.¹

The United Steelworkers of America was formed in 1936 as the Steel Workers Organizing Committee, an integral part of the C.I.O. By 1937, contracts had been signed with companies employing about half of the production workers in the industry. Presently, about 50% of the USWA membership of 1,000,000 is concentrated in basic steel.

Within the industry, U.S. Steel has traditionally been the bargaining leader, with the one exception of 1949 when Bethlehem set the pace granting noncontributory pensions and contributory insurance. From 1937 to 1955, the industry consistently rejected union demands for industry-wide bargaining, although negotiations have proceeded on this basis since 1956.

Steel has had a long history of third-party involvement. The following table may serve to illustrate the various forms and timing of government involvement: from 1937 up to and including the disastrous 1959 strike.

1. Livernash, Collective Bargaining in the Basic Steel Industry, U.S. Department of Labor, January 1961, pp. 20-21.

	37	41	42	44	46	47	48	49	50	52	53	54	55	56	59
Wage and price control			x	x	x					x					
Government pressure upon the wage-price relation		x					x		x					x	x
Arbitration			x	x											
Mediation by Fed Mediation and Council in Service								x		x				x	x
Fact-finding with recommendations					x			x		x					
Seizure										x					
Injunction															x

Source: Livernash, op. cit., p. 205.

During the 1950's several influences began to assert themselves within the bargaining relationship:

- 1) Total employment in the steel industry averaged 600,000 over the previous decade. However, the average number of wage-roll employees declined, in spite of increasing total output, due to technological innovation.
- 2) Substitute materials -- aluminum, plastics and others began to intrude into some of steel's traditional markets.
- 3) Steel invested heavily in new capital equipment during the 1950's. The older technology of some segments of the industry were placed at a serious competitive disadvantage.
- 4) Modern steel plants built abroad since 1945 began to present an ever increasing competitive threat.

- 5) The local working conditions clause (clause 2-B) first appeared in the industry agreements in 1947. The clause explicitly does not hinder the adoption of new technology, though the union viewed management's contentions as an attack on job security. The industry came to view the clause as an impediment to efficiency by other means:
- a. The clause freezes past inefficiencies and errors of judgment.
 - b. It has stimulated so many grievances as to threaten the breakdown of the grievance procedure in many plants.
 - c. Local supervision is inhibited from proper actions through fear of unwarranted charges of violation of the local working conditions clause.
- 6) A large number of complex issues accumulated over several years. Seniority, medical plans, incentives, etc. had all built up to a level where they could not be effectively considered in pre-contract negotiations.

2. Development of a Response

Early in the 1959 contract negotiations, a strike became virtually inevitable. Both sides made repeated appeals to public opinion throughout the negotiations, which greatly restricted flexibility to manoeuvre.

Negotiations formally began May 4, the strike on July 15, the board of inquiry under the Taft-Hartley Act on October 7 and exactly one month later the mills re-opened under the Taft-Hartley 80-day

injunction. A settlement was not finally reached until January 4, 1960.

During the strike (October 17), the union proposed to the industry the establishment of a joint committee for the equitable sharing of economic progress. This was later written into the Kaiser agreement as the Long Range Committee. On the same day, the companies proposed establishment of a Human Relations Research Committee in a form very close to that ultimately adopted.

The settlement was costly to both sides, but it engendered a respect of each for the other. They realized that some form of new arrangement was necessary to improve their bargaining relationship. But, the basic issues and pressures still remained unresolved.

Two committees emerged from the 1957 settlement:

- 1) the Work Rules Committee -- This committee was established to deal with the Section 2-B issue.
- 2) Human Relations Research Committee -- This committee was established to consider, on a joint basis, various specific issues set out in the contract, as well as any other matters upon which the parties may mutually agree. The most crucial element underlying this committee is a joint will to attack a problem in a problem -- solving atmosphere -- to want to find the means to avoid the kind of recurring conflicts the industry has suffered.¹

1. R. Heath Larry: "The HRC -- A Breakthrough in Collective Bargaining?", NICB Record, May 1964, p. 24.

3. Scope of the Plan

The Human Relations Research Committee applies to 11 of the 12 major basic steel producers. (Kaiser has its own Long Range Committee with the union.) Since the H.R.R.C. is a discussion forum to research various assigned problems, its scope extends to as many individuals as may be covered by the relevant issues. For example, issues such as medical care, incentives, seniority apply to the entire labour force. The full committee does not directly embrace the 11 basic producers, but is composed of a representative sample only. Any results achieved must be acceptable to "Big Steel" and will then apply, more or less automatically, to the other basic producers. Each company has a separate agreement with the union and provisions such as seniority are not transferable on an inter-company basis.

4. Procedural Mechanisms

The Work Rules Committee was to be tripartite in nature, with union and company representatives who were to agree upon a single neutral to be chairman of the group. The parties were never able to agree on a neutral chairman and the study committee failed to get off the ground.

The HRC is to be composed of an equal number of representatives from the industry and the union. The original co-chairmen were R. Conrad Cooper of U.S. Steel and David J. McDonald of the USWA. Each chose a committee co-ordinator¹ whose job it was to establish small, knowledge-

1. These were R. Heath Larry for the industry and Marvin J. Miller for the union.

able subcommittees to study in detail the various issues set before them. These two men also develop the approach to the studies and the agendas and determine when meetings should be held. Union staff men have occasionally had to serve on more than one subcommittee since they have fewer men skilled in these areas than the companies. On the other hand, one company official has rarely sat on more than one subcommittee.

Subcommittees were established to consider the specific substantive items which the contracts specified. The HRRC members agreed right from the start that they were not to be

- 1) a negotiating committee,
- 2) a grievance committee,
- 3) a wage policy committee.

Their task was to do the groundwork, "to provide a product to be considered by the parties when they reach the bargaining stage, a product that may help in the negotiations".¹

The committee agreed that there would be no records, no bad faith charges, no accusations if a position was changed, and no public statements to induce rigidity and controversy. None of the study material was to be used in the grievance machinery. There had to be complete flexibility -- even flexibility in time. They were able to operate constructively in the absence of an automatic termination date set far in advance without knowledge of the circumstances which may exist at that date.

The procedure has been compared to a fail-safe mechanism --

1. M.L. Denise, Ford Motor Company, Conference Board Record, May 1964, p. 26.

"as long as we maintain this type of joint study mechanism we will not have accidental wars".¹

The expenses of the Human Relations Research Committee are to be shared equally by the parties.

The procedure that was to be followed after 1963 was to be as follows:

- 1) The subcommittees are to gather facts as before.
- 2) Once the necessary materials are available, the subcommittees are to attempt to arrive at a joint recommendation.
- 3) If agreement is reached, it goes to the full HRC and will be written into the contract.
- 4) If a joint decision cannot be reached, the subcommittee will outline the areas of agreement and disagreement to the full HRC.
5. Substantive Terms

The 1960 contract specified the following areas to be considered by the HRC:

- 1) Guides for wage and benefit adjustments.
- 2) Job classification.
- 3) Wage incentives.
- 4) Seniority
- 5) Medical care.
- 6) Other problems ("grievances" were examined under the clause).

1. Larry, op. cit., p. 24.

The 1962 settlement, which placed heavy emphasis on job security measures, provided for the continuation of what was now called simply the Human Relations Committee.

An important feature of the 1962 contract was its two-year length, with reopening opportunities after one year on wage rates, insurance, pensions and other matters to be discussed by the HRC. The specific areas assigned in 1962 were the following:

- 1) Wage incentives,
- 2) Medical care,
- 3) Statistical materials necessary to the parties,
- 4) Training,
- 5) Job classification,
- 6) Contracting out,
- 7) Other problems.

c. Experience under the Plan

It took some time for the parties to come to accept and creatively use the HRRC. At first, it was little more than a defensive mechanism, with each side trying to defend its own position. Some subcommittees were given problems, but absolutely no direction.¹

Some basic problems were encountered at the beginning:

1. Healy, p. 212.

- 1) a reluctance to supply information;
- 2) some unnecessary conversations on issues irrelevant to the particular problem;
- 3) the attitude that a topic was a bargaining problem and therefore not proper subject matter for the HRRC;
- 4) the idea that the scope of the HRRC was limited to fact-finding only.

However these early problems were overcome and the HRRC gained a greater measure of acceptance over time.

Of the specific items assigned in 1960, clauses on two (seniority and grievances) were included in the 1962 agreement, and reports on three (job classifications, incentives, medical care) were due by the Spring of 1963.

The 1963 reopener contained several interesting features in which the influence of the HRC may be clearly seen:

- 1) The contract was amended so as to remove a specific termination date. Any time after January 1, 1965, either party may give the other 120 days' notice of reopening the contract. But there is no specific provision that the giving of notice or the expiration of the agreement must occur.
- 2) A 13-week vacation was provided every five years for the senior half of each company's hourly work force.
- 3) An "experimental agreement" which was to be subject to continuing review by the HRC, was to deal with the recommendations of HRC subcommittees in the following areas:

- a. Contracting out,
 - b. Supervisory employees performing work normally done by bargaining-unit employees,
 - c. Scheduling of overtime while some employees are on layoff,
 - d. Conditions for job combination.
- 4) A provision allows for contract changes at any time. The HRC is to recommend any changes it deems desirable and upon acceptance by the parties, the provisions will be written into the contract at once.

The subcommittee established in 1960 to study medical care has become permanent in nature to provide continuous study of trends in that field.

However, with the election of I.W. Abel as president of the Steelworkers, the Human Relations Committee was abolished.

8. Evaluation

The Work Rules Committee died an early and quiet death. It appears that the issue was inflated into a matter of "principle" when in fact it was little more than a nuisance. After the heat of a 116-day strike, both sides decided to drop what had been a rather sensational but overrated issue.

There appear to be two main reasons why a Kaiser-type settlement was unacceptable to the basic steel industry.

- 1) The industry has long opposed the imposition of neutrals into the collective bargaining process.

- 2) The industry was unwilling to establish a formula for the long-run sharing of productivity gains. It preferred the Human Relations Committee, which was intended to facilitate traditional collective bargaining.

Several pressures were conducive to the early success of the HRRC when it first came into existence. Some have been alluded to above, but bear repetition here:

- 1) The memory of a 116-day strike was still strongly in mind.
- 2) The leadership on both sides emerged from the strike in a stronger position.
- 3) Both sides began to recognize that issues were becoming too complex for solution in the bargaining period crises.
- 4) The conditions of the steel industry required co-operation and joint study to ensure continued profitability and employment.

Although critics of the 1960 agreement, claimed that the contentious issues were merely being swept under the rug, and that the Human Relations Committee was unlikely to amount to much¹ the early results were impressive. USWA President David McDonald has credited the HRC with making a substantial contribution to the union's ability to reach an early settlement in 1962.² Healy seems to feel that the new contract clauses in 1962 that arose from the work of the Human Relations

1. See for example, Jack Stieber, "Work Rules and Practices in Mass Production Industries", IRRA, 1961, p. 403.

2. Healy, p. 217.

Committee contained more thought and reflection than those composed during the bargaining pressures in the past.¹

The 1963 contract re-opener may be counted an even greater success for the HRC. The specific provisions allowing for contract changes at any time and indefinite contract termination date appeared to have brought the formal bargaining relationship more in line with the conceptual framework of the HRC. The idea of an experimental agreement represented a major break from the tradition that a provisions written into the contract could not be altered. The parties agreed that the idea for an "experimental" agreement came from the HRC, but that the separate subcommittees had worked out the details, joining together in the later stages.

The 1963 provision for extended vacations was intended to create jobs for more people when the concept became fully operational. Management as well was pleased, noting the low cost of the settlement, estimated at only 2% for increased insurance benefits. The plan may or may not increase the total labour force at an unclear indirect price (i.e. the costs other than the direct "sabbatical" payment).

The HRC made a conscious effort not to rely solely upon the close relationship of a few individuals at the top, as did prior steel industry co-operation. The active use of subcommittees involved literally hundreds of individuals at all levels of operation.

1. Healy, Ibid., p. 216.

However, these good intentions notwithstanding, the HRC does not appear to have involved enough people to ensure its continued existence. Obviously in a union the size of the Steelworkers no more than a very small percentage of the men can ever be directly involved in dealings with management. The actual problem then becomes not the active involvement of greater numbers (although this is of course both necessary and desirable), but rather the dissemination of the new spirit of co-operation and harmony at the top down through the ranks of the line workers. And it is here that the HRC appears to have failed.

The rank-and-file were considerably more militant than the leadership, they were intolerant of the co-operative spirit and dissatisfied with its concrete achievements. When the new regime of I.W. Abel was installed, the Human Relations Committee was abolished. In retrospect, the experimental agreement provisions are viewed as most disappointing because "they did not meet the problems...with which they attempted to grapple".¹

In a very real sense, the abolition of the HRC was a grass-roots destruction rather than a breakdown at the top. Abel ran for the presidency opposing the HRC; the membership agreed the HRC was a "sell-out" and after the election, it met an early death.

It is not possible to discuss the Human Relations Committee

1. O. Brubaker, Research Director USWA, Letter, 25 July 1967.

approach in economic terms, for the HRC was more a mechanism, a procedural factor, than a substantive consideration. It was a means to facilitate the collective bargaining process; its success in coping with specific issues depended both on the nature of the issue itself and on the attitudes of the parties involved; and as long as the steel industry and the Steelworkers found the Human Relations Committee an appropriate vehicle through which to deal, the HRC served a useful purpose and was therefore a success. When the context changed and the membership became disenchanted, the HRC no longer served a useful purpose and was therefore abolished.

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DOMTAR

1. Source and Pressures for the Plan

Domtar Limited, one of Canada's biggest corporations, employs over 20,000 workers of whom 12,000 are unionized in 134 local unions affiliated with 34 different national, international and independent unions. The company has widely diversified holdings, and its pattern of growth through absorption may well explain the large number of bargaining partners.

The company wished to improve and facilitate what was becoming a complex, deteriorating collective bargaining relationship. In 1962, Domtar approached officials of the CLC, CNTU and the individual unions with which it dealt with a view to exploring informally some of their common problems.

That fall there began the first of a series of annual two-day meetings involving about 60 senior management representatives.

2. Development of a Response

It should be noted from the start that these meetings were never intended to replace the formal collective bargaining exercise. Rather, they were intended as a supplement to consider problems that could only be treated on a company-wide basis.

The first meeting was concerned with broad problems of the economy and the industry -- pensions, automation, the effect of changing

trade patterns, information and communication.

The second meeting in 1963, discussions centred on broader labour-management problems within the company, following an agenda jointly determined prior to the meeting. Working subcommittees were established to deal with two specific problems:

- 1) How to spread the atmosphere of these high level meetings to lower levels.¹
- 2) How to relocate displaced workers in different union jurisdictions to other company locations without loss of all seniority rights.

In 1964, a reciprocal transferable seniority plan was designed, enabling employees to transfer within various divisions of the company and between the unions involved. This plan is subject to ratification by each of the unions involved.

In 1965, the parties negotiated a company-wide pension plan fully integrated with the new Canada Pension Plan. The Company had refused in the past to negotiate separately with each of the unions concerning pensions because of the complexities inherent in such an approach. This plan, then, was simply introduced by the Company after it had been negotiated.

Also, at the 1965 meeting, a special sub-committee was established to examine the whole problem of human adjustment to technological change. It was to report back at the next meeting in 1966.

1. This, it may be noted, was the problem which plagued the final plan, and prevented its eventual enactment.

The sub-committee first attempted to have each side prepare position papers on specific issues such as attrition, advance notice, etc. However, it was feared that this might unduly rigidify positions for subsequent bargaining, and so the sub-committee had to begin with general principles.

The Company was interested in a plan that would serve three distinct purposes:

- 1) To give employees reasonable protection against change.
- 2) To identify the costs involved in advance.
- 3) To leave it relatively free to operate the enterprise as dictated by competitive market pressures.

The unions were essentially interested in achieving as a group a better employment security package than they could hope to obtain on their own.

The committee found that there were dual responsibilities on all sides:

Government: 1) To provide an environment within which industrial conversion could take place as freely as possible.

- 2) To create an atmosphere that would help workers to accept change as a normal course of events.

Management: 1) To introduce change.

- 2) To reduce worker disruption and assist those forced to adjust.

Organized labour: 1) To help the members understand the necessity of change.

- 2) To shield them from undue hardships as constructively as possible.

Individual workers must be prepared to take full advantage of measures to facilitate them in any transition process.

3. Scope of the Agreement

The committee's terms of reference covered those changes that would affect the company's regular work force in a permanent way. The definition of industrial conversion was purposely chosen to be as comprehensive as possible.¹

Excluded from consideration were the following workers:

- 1) Those laid off because of a general decline in business activity, such as recession.
- 2) Seasonal and casual workers subject to irregular employment.
- 3) Employees re-assigned from one job to another on a day-to-day basis.

The plan was intended to cover more than just adjustments made necessary by technological change. It was intended to permit the development of new programs to ensure that individual cases are dealt with in a fair manner.

To provide as wide a base as possible, the plan was to be company-wide in scope for the eligible participating employees.

4. Procedural Mechanisms

The industrial conversion insurance scheme was to be funded by

1. See Report, pp. 2-3.

a company contribution of 1 cent for each hour worked by the participating employees. The fund was to be jointly administered and to become operative when accepted by bargaining units representing at least 90 per cent of the eligible employees with the approval of their authorized local, national, and international bargaining agents. This latter provision was inserted to insure a sufficiently universal and integrated approach.

When the 90 per cent minimum was reached, the contributions would begin, with a build-up to \$5,000,000 at which point payments would cease until the resources again fell below that level. The company would provide up to one year's advance if necessary in order to launch the plan.

The funds would be invested in Domtar Demand Notes, bearing interest at the current prime bank rate, and was expected to generate sufficient revenue to take care of requirements.

The joint committee was to be empowered to obtain the services of additional members on a temporary basis, and to employ an executive secretary who will maintain close liason with the appropriate government departments.

The office of the committee was not to be located on either company or union premises, and administration costs were to be borne by the fund.

The plan was to begin operation on the payroll date after the 90 per cent requirement was met, and was to be discontinued should the figure drop below 80 per cent.

Authorized units wishing to withdraw from the plan must give 12 months' notice of their intent. Bargaining units which elect to join the plan after its effective date must give 12 months' notice to the joint committee, and during this time would not be eligible for benefits under the plan.

Should the plan be discontinued, the amount of money remaining would be returned to the company, after all outstanding commitments had been satisfied.

The implementation and administration of the plan were to lie with the joint committee subject to the general terms of reference. Once enacted, the plan was to remain operative until December 31, 1969, and from year to year if no notice of change was given; the plan could be amended by mutual agreement.

5. Substantive Terms

The committee felt that workers were bound to resist change, unless they were assured alternative employment. Full employment in itself, however, may be insufficient unless it is accompanied by measures to facilitate worker mobility. A key prerequisite to this end is transferability of fringe benefits, through either portable private plans (funding and investing) or more universal public social security systems.

The committee found two basic defects in current approaches to the question of adjustment:

- 1) Policies such as attrition, severance pay, and early retirement made little sense on an across-the-board basis. Most of the schemes reviewed were too rigid and inflexible to meet individual needs.
- 2) There was a tendency to negotiate schemes on a piecemeal basis, thus inhibiting a well-rounded, integrated approach.

The plan recommended by the committee was an industrial conversion insurance scheme. Funding was by the company, but administration was joint. The scheme was intended to supplement current public measures and experiment with new private ones to ease the impact of change on workers. Included in the latter would be severance pay, income during retraining, early retirement, or any other purpose deemed worthwhile by the committee.

The committee assumed the company would be willing to give six months' advance notice in writing of all major changes. Even earlier notice might be given to allow more time for employee representation without sacrificing the company's goal of competitive efficiency.

6. Experience under the Plan

The scheme was never enacted. At no time did more than 40 per cent of the eligible employees indicate acceptance of the plan through their recognized bargaining agents.

7. Evaluation

It is a significant achievement for company and union represent-

atives to have reached accord on a plan of this magnitude and scope. Its failure to be enacted may be attributed more to rank-and-file restiveness and militancy than to any inherent defect in the plan. Perhaps the scheme may be faulted for what is precisely its greatest asset -- its generality and total flexibility were such that no specific measures were included to cover items such as the accumulated seniority and benefit rights of employees faced with displacement. In fact, such action amounted to an admission by the parties that these issues could not be covered by collective bargaining alone -- and such issues would clearly recede in importance in the presence of a favourable economic and social environment.

The main weakness of the plan, however, lies in the inability of the union bargaining committee to commit the individual unions to the substantive provisions of the plan. Like sovereign states, ratifying a treaty, each union has the legal right and responsibility to affirm its commitment to the plan. Until this is done by unions representing 90 per cent of the eligible employees, the plan remains inoperative. And, not surprisingly, many unions have shown great reluctance to do anything which may tend to diminish their sovereign autonomy in the bargaining process. However, individual unions were to remain free to opt out of the plan on one year's notice.

Perhaps the main significance of the total exercise lies along the following lines. Union representatives may sit down with management and devise a scheme that by all objective standards is eminently fair. Yet should provision not be made for the subjective human response of the workers,

the plan must be conceived in jeopardy. The plan must appear to the workers to be fair, as well as in fact being fair, if it is to have any chance of acceptance. The short-run viewpoint of the rank-and-file must be considered and provision made to explicitly satisfy certain of their minimum demands. Should the parties frankly admit they are unable to devise specific solutions in this regard (as with the seniority and other benefit rights), then the possibility must be considered that a joint committee is just not the way to approach the problems.

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IMPERIAL OIL - O.C.A.W.¹ (IOCO, B.C.)

1. Source and Pressures for the Plan

On January 15, 1965, the OCAW informed Imperial Oil by letter that it wished to reopen the collective agreement. Among the demands of the union were the following:

- 1) Guaranteed employment for regular employees of the firm.
- 2) Increased amounts of training to be undertaken by the Company to fill new positions.
- 3) Severance pay should the plant completely or partially close.

The majority conciliation board report recommended a minimum of six months' notice by the Company should it intend instituting changes in methods or facilities which would lead to a reduction in the work force.

The union went out on strike in November, 1965. Acceptance of a government formula devised by L.R. Peterson, B.C. Minister of Labour averted a threatened general strike in B.C. in support of the oil workers.

The formula which was agreed upon contained the following provisions:

- 1) A committee of labour and management was to be appointed to examine the problems of automation.

1. This analysis relies heavily on Report of Chairman of Research Committee, Automation Committee; Imperial Oil Enterprises Ltd., Ioco B.C. and Local No. 9-601 OCAW; January 12, 1967.

- 2) In the interim, six months advance notice was to be given of changes involving layoff.
- 3) Severance pay was set at the rate of one week's pay for each year of service to a maximum of 26 weeks.
- 4) A reference was made to training requirements.

The Automation Committee was established under the provisions of the Federal Manpower Service and was composed of equal representation from management and the union. There were four members from each side, persons normally engaged in labour-management activities.

From this main committee a Research Subcommittee was established, consisting of two members from each side of the main committee, with Dr. J.T. Montague of U.B.C. as neutral chairman. This Subcommittee was given the task of ensuring employment or setting a regularized procedure to reduce employment at Ioco.

2. Development of a Response

The Research Subcommittee found that since January 1959, no layoffs have occurred at Ioco, attrition being the only means to reduce the labour force. The pattern of employment change -- a sharp drop in the late Fifties followed by a long period of gradual reduction of the force through attrition -- is much like that elsewhere in oil refining.

Thus, the concern of the employees about technological change appeared to lay more with the nature of the work experience to be offered in the future rather than with employment security itself. This was in contrast with the concerns of the conciliation board and the Minister of

Labour which lay in the field of employment security.

The Research Subcommittee delved further into the nature of concern for technological change among the workers. There are four major points:

- 1) The age of the work force at Ioco is relatively high.
- 2) Transferring among occupations within the plant requires evidence of a minimum of Grade XII education (or equivalent).
- 3) The primary concern of the workers lay with employment and income.
- 4) The company, operating within an industry which is heavily committed to technological efficiency, requires an adaptable work force.

Four major conclusions by the research subcommittee provided the basis for the plan:

- 1) For the average workers at Ioco, age and length of service are significant impediments to labour market mobility.
- 2) Educational requirements for job transfer tie half the workers of average age or above to their present job, in one degree or another.
- 3) Job changing is a certain characteristic of the oil industry of the future.
- 4) Turnover rates among personnel are higher than desirable. This is attributable to uncertainties among the workers about career opportunities in oil refining.

Any plan agreed upon must serve two purposes:

- 1) It must assure the worker that a career path with the company is more in his interest than a subjective attempt to foresee future job assignments.

- 2) The trained man should be encouraged to stay with his job without worrying about its future.

3. Scope of the Plan

The plan applies to all workers at the Ioco refinery of Imperial Oil. The absolute numbers involved are small. Employment totalled 198 in 1959, dropping through attrition to 167 when the Research Subcommittee filed its report.

4. Procedural Mechanisms

The Subcommittee seemed to feel that uncertainty over manpower changes may be as important as the changes themselves. Therefore, management should make the union aware of the manpower outlook at least twice a year:

- 1) Six months' notice is to be given of actual changes in the use of manpower.
- 2) A discussion, in somewhat more general terms, could take place at this time concerning anticipated changes for the coming year.

The Report of the subcommittee lists¹ the action to be taken when a worker's job status is changed due to a change in the methods of work and production.

1. Report op. cit., p. 30.

<u>Change</u>	<u>Action</u>
1) Worker moved to a new job at no change in wage rate	No action unless basis for grievance on seniority, job content, etc.
2) Worker to be laid off	Possible grievance Notice and severance pay
3) Worker to be moved to new job with a reduction in wage rate	Automation and Wage Protection Plan

Specific clauses were included in the collective agreement which referred directly to this Automation agreement; it thereby became part of the collective agreement subject to the provisions of the agreement including grievances and arbitration.¹

The agreement provides that the discussion of automation problems should remain away from broad negotiations for new contracts, but should remain the property of those responsible for contract negotiations.

5. Substantive Terms²

The four-point plan groups according to their age, workers who are threatened with displacement by automation:

- 1) Workers in the most senior group (57 to 65 years with a combination of age and service totalling at least 85) may take an early retirement at better than the normal pension. If automation makes their jobs redundant, they retain their regular wage rate until a new rate is negotiated for the new position.

1. R.T. Philp, International Representative, OCAW, Burnaby, B.C., Letter, 7 July 1967.

2. Labour Gazette, May 1967, p. 296.

- 2) Those aged 47 to 56 with a combined age and service total of at least 75 may retain their wage rate levels in the same way until they either get a higher paid job through training or retire; in addition, they are not required to have the formal educational qualifications normally necessary for in-plant transfer.
- 3) Those aged 35 to 46 with at least 10 years service and a combined total of at least 60 will retain their wage levels for a period equivalent to one week for each year of service, or during a period of company-paid training for another (higher-paid) job in the plant. As an alternative, they could accept severance pay and leave the company or be assigned to other plant work without immediate reduction in pay.
- 4) Those not falling within these categories are protected by clauses in the general contract agreement calling for 6 months notice of machinery or job changes, severance pay and security of position based on seniority.

6. Experience under the Plan

Since the agreement was signed in February 1967, it is not yet possible to relate its history. However, since the plan was designed to cope with a specific problem involving less than 200 men in total it is reasonable to assume that its provisions will be implemented without major obstacle.

8. Evaluation

The major significance of the plan¹ is that it emphasizes training at company expense at the lower age levels, while providing a measure of income protection for older workers not expected to be able to improve their capacity through training. The plan stresses that maximum use should be made of attrition through retirement and other means, rather than through layoff, to reduce the work force in the change of automation.

Before any wider applicability can be estimated, certain specific characteristics of the industry must be considered:

- 1) While the oil industry as a whole has made major technological breakthroughs, it has lacked any realistic overall appraisal of the operational usefulness of newer technology and its manpower effects. The growing insecurity of the labour force within the industry follows directly from this.²
- 2) The oil industry places a heavy reliance on capital equipment and has a consequent low proportion of total costs going to labour. This has two implications:
 - a. There will be concern for the quality of the manpower which operates the expensive machinery.
 - b. Employment patterns are predictable. The company can be definite on the timing and nature of job changes in manpower needs, though there may remain a small margin of error in absolute numbers. The

1. Labour Gazette, May 1967, p. 296.

2. Report, p. 8.

oil refining industry has few short-range employment variations and virtually none on a day-to-day basis. The industry expresses its needs in terms of the number of men required to operate the given amount of equipment, rather than with reference to daily consumer demand.

Because of these characteristics, this type of plan would appear to have greater applicability within the oil industry than without. Although the Labour Gazette suggests the plan is expected to set a pattern for all industry,¹ the union maintains that "it does not form what might be called a pattern setting situation through the oil industry".² The union feels that this particular plan was developed because of a set of unique circumstances within that one plant. The way in which this situation was handled would not necessarily be of much value in any other plant where the employees are relatively new in the industry.³

Some of the distinguishing features in the Ioco picture would include the following:

- 1) The concern shown by the labour force regarding the educational qualifications for transfer may in fact drive the educationally unqualified worker into a proprietary interest in his present job.⁴
- 2) As mentioned earlier, the Ioco plant had a substantial drop in employment in the 1950's and further decreases since then have been through

1. Labour Gazette, May 1967, p. 296.

2. John Duncan, Canadian Director OCAW, Letter, 14 June 1967.

3. Duncan, Ibid.

4. Report, p. 15.

attrition. This has eased the situation for the Automation Committee as they have been dealing throughout with the hard-core numbers only.

- 3) In addition to the generally high seniority listing of the employees, the Imperial Oil plant in Ioco is a very old plant.
- 4) It bears repetition that the total number of individuals involved is substantially less than 200.

In any case, even if the agreement does not contain all that the union might have desired, it is the first plan of its type in Canada and does represent a significant step towards solving the manpower problems created by technological change.¹

The agreement explicitly recognizes that automation plans must be flexible and programmes adjustable, since no one plan is suitable to all circumstances or all plants.² The two determining criteria used here were age and length of service. In this plant, in this context, these were appropriate. Elsewhere, other mechanisms might be used with equal validity.

1. R.T. Philp, Letter.

2. Labour Gazette, May 1967, p. 296.

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KAISER

1. Source and Pressures for the Plan

Henry J. Kaiser established his steel operation in 1943, primarily to provide a source of material for his wartime shipbuilding activities. The Steelworkers have been in the plant virtually since the beginning of operations, a relationship which "on the whole has been good...subject to the ups and downs common to many collective bargaining situations".¹ The Kaiser plant is located in southern California in contrast with the east coast locations traditional for big steel. The west coast is a dynamically expanding economic area with the consequent high turnover of a volatile labour market. Attrition generally runs to 7-8% per year. In addition, the mill only began operation in 1943, placing it among the most modern in the industry.²

Henry Kaiser and the present chief executive officer Edgar Kaiser, are both mavericks or rebels within the steel fraternity. Producing but two percent of the total industry output³ and with various other elements within their financial empire, there are signs that "Kaiser does not even think of itself as part of the steel industry".⁴

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1. Balsley: "The Kaiser Steel-USWA Long Range Sharing Plan", Proceedings, IRRA, 1963, p. 49.
 2. Raskin: "Approach to Automation: The Kaiser Plan", New York Times Magazine, November 3, 1963, p. 116.
 3. Healy (ed.), Creative Collective Bargaining, Englewood Cliffs, New Jersey, 1965, p. 253.
 4. Ibid., p. 246.

It is, then, hardly surprising that Kaiser was somewhat reluctant to form, with the other 11 basic steel producers, a united front against the Steelworkers for the 1959 contract negotiations. He did finally join, but only on the express understanding that he be able to deal individually with the union at any time.

After 104 days of shutdown, Kaiser broke with the rest of the industry and settled with the union. Several reasons may be put forward:

- 1) Kaiser felt the obsession of the rest of the industry with the removal of the work-rules clause¹ (clause 2-b) to be something of a bogus issue. To many of the others, removal of this clause had become a matter of principle, involving the restoration of management's "inherent" right to manage. Perhaps the fact that Kaiser's plant was newer than those in the rest of the industry and therefore less likely to be impeded by restrictive work rules was also a consideration.
- 2) Kaiser's financial structure contained a high debt ratio with the consequent heavy fixed costs (interest payments). As time passed, pressure mounted to reach a settlement to meet these payments.
- 3) The appointment of a Taft-Hartley Board and the threat of an injunction were most distasteful to Kaiser who did not wish his employees forced back to work under a court order.

1. For this clause on the basic contract, see NICB, The Kaiser-Steel Union Sharing Plan, SPP 187, p. 46, Appendix B.

Kaiser approached USWA President David McDonald and they agreed that while little could be done during the current negotiations, they would attempt a "new" approach to avoid in future what Kaiser referred to as "frozen positions"¹ and contract deadlines.

2. Development of a Response

Out of the 1959 settlement came two special committees:

- 1) a Joint Committee to Study Automation and Local Working Conditions was given the responsibility of resolving the "clause 2-B" issue.
- 2) a Long Range Committee was to recommend a long range plan "for the equitable sharing of the company's progress" [Art. 2. Clause C-2(a)].

It should be noted, however, that primary concern lay with economic and employment security, with any additional "sharing" a secondary consideration.²

The Committee was tripartite in nature, with the stature of its members being an indication of the seriousness with which the project was undertaken.³

Although requested to report within a year, the plan was

1. Ibid., p. 5.

2. Balsley, IRRA, 1963, p. 51.

3. Company members were Edgar J. Kaiser, Chairman of the Board, E. Trefethen, Jr., Vice-Chairman of the Board, and C.F. Borden, Executive Vice-President. Union members were David J. McDonald, President USWA, Charles J. Smith, Director of District 38 (West Coast) and Arthur J. Goldberg (later replaced by Marvin J. Miller), Special Counsel to the USWA. Public members, Dr. George Taylor (Chairman), David L. Cole and John T. Dunlop.

not finally transmitted to the parties until December 16, 1962. After the first year's meetings, Section II (Underlying Facts and Assumptions) was put in writing. This, along with Section I, in one sense, comprises the Sharing Plan with the remainder merely concerned with the implementation.¹

Section II is "an exposition of some of the basic economic and human factors involved in operating a business";² it outlines the problems of management, those of the employees and those that are joint concerns. It draws a clear line between the factors management can control and those that can be affected by the co-operation and performance of the employees.

At this point, a subcommittee was established to work out the mechanics of the sharing plan. There were no public members on this subcommittee:

- 1) Since the success of the plan depended to such an extent on the desire of the parties to make it work, it was preferable that they create the plan on their own.
- 2) The public members lacked the time and the detailed information for the over 100 meetings which ensued.
- 3) The parties were capable of doing the job themselves.
- 4) If the plan failed, there would be no one to blame.³

1. NICB, p. 5.

2. NICB, p. 5.

3. Healy, p. 259.

There were a few basic and important ground-rules by which the parties proceeded:

- 1) There was never any thought of imposing a deadline on deliberations.
- 2) There was to be no publicity.
- 3) They agreed that "nothing is agreed to until all is agreed to".¹

All felt free to explore all possibilities with complete liberty later to alter or reverse one's stand.

There were as well, two minimum guarantees which were eventually included in the final agreement:

- 1) During the lifetime of the agreement, the employees would receive wage and benefit increases at least equal to those negotiated between the Steelworkers and "Big Steel".
- 2) Total labour costs under the new agreement were to be no less a percentage of total production costs than they were in 1961. In effect Kaiser disclaimed any interest in lowering the total labour cost ratio; the interest was on a more equitable distribution of, and a greater return for, the labour payments.

3. Scope of the Plan

The Kaiser Plan was specifically designed for a one-plant operation and no one has yet seen how to transfer the scheme to a multi-plant operation.²

1. Balsley, p. 54.

2. R.W. Fleming, "New Challenges for Collective Bargaining," Wisconsin Law Review, v. 1964, no. 3, May 1964, p. 439.

The plan covers all employees at the Fontana steel mill of Kaiser who are represented by the USWA, including both the Production and Maintenance, and the Clerical and Technical bargaining units. Part VI of the agreement contains provisions by which those on incentive can voluntarily vote to switch to the new plan, but without any additional inducement. If, however, the company requests such a vote, those units choosing to switch will receive lump-sum payments equal to what they would have earned through incentives over the next two and a half years. Those choosing not to switch must be allowed to remain on incentives. And it was agreed that no "profits" or "savings" should accrue to the company from the elimination of incentives.

4. Procedural Mechanics

Kaiser's long range committee is tripartite, in spite of steel's traditional aversion to third-party involvement. In fact, Kaiser and McDonald felt there were firm reasons for the use of public members:

- 1) Neutrals could serve as spokesmen for the "public interest".
- 2) The public members could provide both technical expertise and mediation.

By the use of outside neutrals of their own choosing, the parties hoped to forestall unwanted outside pressures.

The parties agreed that grievances involving the application of the Plan would be subject to the normal grievance procedure. But, on questions of interpretation of the Plan, the matter would be submitted to the long range committee as a whole and then, if necessary, to the public members for arbitration.

Although the Sharing Plan is perhaps the most widely publicized aspect of the programme, Healy considers the efforts to reduce the needs for (but not the option to) strike, while retaining as many as possible of the traditional features of free collective bargaining to be the most far-reaching element in its implications.¹

According to the 1962 contract, the Long Range Committee is empowered to review the status of negotiations no later than 30 days prior to the expiration of the contract, in the event that no new contract has been agreed upon by this date. The public members may then take any or all of the following steps:

- 1) Determine to take no action or to postpone action until there has been an opportunity for further bargaining;
- 2) Attend the bargaining sessions as observers;
- 3) Engage in mediation efforts, including private consultation with representatives of each of the parties;
- 4) Issue a private report to the parties summarizing the positions of the parties, defining the issues in dispute, and making recommendations to the parties; and, finally
- 5) Issue a public report either prior or subsequent to the contract termination date. The public members shall not release a public report until such time as the company and union have had every reasonable opportunity to come to an agreement.²

1. Healy, p. 256.

2. Source: Agreement Kaiser-USWA, Fontana Operations, June 12, 1962, Fontana, California, Article 2, Section C-2(d).

The contract makes explicit that these procedures "are not in any way intended to replace free and responsible collective bargaining between the parties". And "neither the Union nor the Company agrees to be bound by the recommendations or suggestions of the Public Members."¹

This procedure is based on the assumption that public pressure will force the parties to settle without resorting to a strike. Since it is unrealistic to assume that any industry-wide steel strike today would be allowed to run for any length of time without direct government involvement, a Kaiser type of plan might serve to lessen or eliminate altogether the need for such intervention.

The committee also realized the need to settle disagreements as they arose and the parties agreed to put the committee on virtually a stand-by basis. Specifically, the Committee is empowered to:

- 1) Make recommendations for the consideration of the parties with respect to those subjects which may serve to promote harmonious relations between them; and
- 2) Assist the parties in considering problems as they arise so as to minimize reliance on contract deadline pressures.²

This provision, claims Healy, is "one of the most useful of the entire plan".³ It is indicative of an attitude, a willingness to

1. Ibid., Article 2, Section C-3.

2. Article 2. Clause C-2(b) and 2(c).

3. Healy, p. 285.

sit down with informed third parties of their own choosing and to discuss problems as they arise.

5. Substantive Mechanisms

Kaiser guarantees that as of March 1, 1963, the total number of employees will be reduced below the number required to produce comparable tonnage of steel in 1961 only to the extent that attrition or increased production can absorb those displaced. To distinguish between those laid off by lack of work and those affected by improved technology, a formula was devised to determine the firm's maximum employment obligation.

The formula required a standard to compare the number actually employed with the number that would have actually been employed had there been no technological innovation. The standard agreed upon is the number of employees required to produce a ton of steel in 1961.

The difference between this "maximum employment obligation" and the number of employees actually working constitutes the employment reserve.

Employees are assigned to the employment reserve on the basis of seniority; any time the reserve is less than the maximum for the month, employees may be recalled from layoff to a place in the reserve by seniority. Even with the creation of a plantwide employment reserve, the individual worker still has the option to decline placement in the reserve; if he so chooses, he is still eligible to receive supplementary

unemployment benefits, but is nonetheless counted as part of the reserve in determining the number of whom the company must guarantee employment. The same holds true for employees who do not accept jobs outside the reserve in higher job classifications that they are able to perform.

There are two separate reserves -- one for production and maintenance employees, the other for clerical and technical employees.

The maximum employment obligation is modified to allow for attrition, being reduced by the number of employees terminated since December 31, 1961. Increases in productivity also serve to decrease the size of the reserve -- but only when there is no one on layoff.

The provision that this reduction to reflect productivity can only occur when there is no one on layoff means that, in essence, the firm cannot benefit from improved technology until attrition has absorbed those technologically displaced.

There are, in fact, three ways to determine the ceiling on the maximum obligation. If there is no one on layoff, the figure is determined by the number of employees required for that level of production (in 1961), adjusted to reflect increased productivity. The second formula stipulates the number (in 1961), reduced by attrition. The lesser of these latter two figures will be used any time either yields a higher maximum than the first method whether there are employees laid off or not.

Any employee placed in the reserve is guaranteed at least the average number of hours worked in the plant that week, or 40 hours, which-

ever is less. And for this time, those in the reserve will do work around the plant. Both union and company insist that "make-work" is not involved and also that no work done will be such as to make less work for regular employees.

If a worker is dropped to a lower job classification or denied a jump to a higher because of technological innovation, he will be paid a Displacement Differential. The amount of the differential per hour is "equal to the difference between the standard hourly rate of the job he would have been entitled to, were it not for such change, minus the standard hourly rate of the job actually worked during the hour involved".¹ Finally, employees working less than 40 hours, with or without re-assignment, will receive an additional amount equal to the regular pay times the hours less than 40 actually worked.

To establish standards for the sharing of gains, the parties found a fairly constant ratio of about one to three between labour costs and production value² over the past ten years. Production value uses all costs that can be affected by the employees. The Committee agreed upon 32.5% as the share of the gains to be made available for the employees (the "gross share").

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1. Section IV. Part B. 1.(a) The differential is applicable for 52 weeks or until the employee moves into or declines an equivalent or higher job. All differentials lapse 36 months after a change and apply solely to those in the line of progression when the change was made.
 2. "Production value is the cost (not price) of the product sold. It is a plant's internal productive effort in converting purchased raw materials into its finished product. It excludes, for example, selling, administrative and general expenses, depreciation and depletion, loss or profit on sale of property, plant or equipment, interest, taxes and profits".

To determine the "gains" or "savings" current production cost per ton of steel is compared with production cost standards established for 1961. The gains are measured by an intricate series of calculations.¹

Any payments made necessary by technological change will be paid for out of total gains. Any payment made possible by increased efficiency will be paid for out of the employees' gross share.

A certain portion of the gross share (which will amount to 2-2/5% of the worker's yearly wages when accumulated for twelve consecutive months) will be retained in the Wage and Benefit Reserve, out of which will be matched increases in wages or fringe benefits negotiated through the rest of basic steel. If the Long Range Sharing funds are insufficient, Kaiser will make up the balance, thus guaranteeing employees gains at least equal to those in the rest of the industry. If there are funds left over, the remainder will be paid to the workers in a lump sum.

The plan allows for other allocations from the Wage and Benefit Reserve -- longer vacations, or any other use to which the employees may wish to put their money.

After all allocations, the net remainder is given to the worker in a monthly cheque, separate from regular wages. Each employee's

1. For details made, see Agreement, Sec. V.B.1. Note that adjustments are made to allow for the Consumer Price Index (in labour costs) and the wholesale Price Index (material and supply costs).

share is determined with a view to maintaining, yet putting a ceiling, on existing pay inequities and to gradually bring about a more equitable pay structure.

Since the existing pay structure, largely because of incentives, bore little relation to job classes, the company and union set up five different groups and placed each job into one of these. The allocation was determined by:

- 1) Average earnings of the job in the steel industry as a whole.
- 2) Average earnings of the job at Kaiser steel.
- 3) Importance of the job to Kaiser Steel.

Each group receives a different weighting (there is a sixth group -- those who choose to remain on incentives), according to which the bonus share is determined.¹

However, in order to put a ceiling on existing inequities, this arrangement ends when the bonus for group A reaches 10%. From that point on, all groups receive additional increments equal to the same percent of base pay.²

Bonuses will be paid once a month and will in no way affect the earnings of those choosing to remain on incentives.

In the earlier calculations, it was necessary to set separate

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1. E.G., Group A has a weight of 2-0. Group E has a weight of 8-0. When A receives a bonus of 10%, E receives 40% of base pay.
 2. E.G., when A receives 12%, E receives 42% of base pay.

standards for material and labour costs and to distinguish between these two sources of gains. This is to ensure that total labour costs do not drop below the standard laid down. The possibility of such an occurrence is somewhat remote due to the historical ratio of 2-to-1 of supply costs to labour costs, but, should such a drop occur, Kaiser will place the difference into the gains portion of the employees' gross share.¹

6. Experience under the Plan

In the first eight months the covered employees received over 48¢ an hour on the average through the sharing plan. Through bipartite co-operation, the employees were prepared for the expected drop in August² as the plant shifted abruptly from a high to a low level of efficiency and many employees went on their summer vacations. There was little grumbling.

The clerical and technical employees became the highest paid in the industry through the sharing plan and management, for its part was equally satisfied.³

In the first six months, 600 incentive workers voted voluntarily to transfer to the new plan. The company induced 180 others in the blast-furnace division to shift at a cost of \$320,000 in lump-sum payments. In

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1. For an example of how this operates, see NICB table p. 24. The extra payment into the employees' gross share is made in 12 monthly installments. This additional payment does not figure in the calculation of next year's labour costs.
 2. Monthly figures were March - 55¢, April - 66¢, May - 50¢, June - 62¢, July - 40¢, August - 24¢.
 3. Raskin, op. cit., pp. 115, 116.

the tin mill ("a citadel of the incentive systems"), the workers continued to resist the sharing plan in the belief that any switch would cost them money.¹

The Plan has given several advantages to the company:

- 1) Since the plan is to run for 4 years subject to annual review, the company is given this time relatively free from strikes and bargaining over contracts.
- 2) The company was given greater flexibility to manipulate the work force in spite of the retention of the "2-B clause" in the agreement. Despite union requests to do so, the firm has never produced a list of places where work rules are hampering efficiency,² and a fear over restrictive work rules does not appear to be a major obstacle.
- 3) The company receives 67.5% of all savings made. These are gains which, theoretically at least, would have gone unrealized in the absence of the plan. Even when the company is losing money, every dollar paid out in savings, means losses have been cut by a further two dollars.
- 4) The numerous problems of equity in the various incentive schemes are to be eased as no new incentive jobs are to be created. Some of the present inequities are to be redressed as incentives become de-emphasized. Within Kaiser steel itself, only 40% of the 7,000 hourly rated employees operated on an incentive system prior to the intro-

1. Ibid., p. 116.

2. Raskin, op. cit., p. 116.

duction of the sharing plan, compared to 75% or 80% at U.S. Steel and Bethlehem.¹ This lower figure at Kaiser gives greater flexibility to redress some of these entrenched inequities. In May 1967, a four-year review of the Long Range Sharing Plan was released.² It related the following accomplishments:

- 1) More than \$46 million in gains were generated under the plan. Of this, the employees' share has been \$19.5 million.³
- 2) 155 employees were "protected and usefully employed"⁴ in the employment reserve.
- 3) Displacement differentials totalling over \$30,000 has been paid to 313 different employees.
- 4) On some units that had transferred to the Sharing Plan, there was some difficulty in maintaining their work performance. As a result, the relevant section of the Plan was changed in March 1966, to allow Sharing Plan employees working on certain key production units the opportunity to earn additional income based on that unit's incentive performance.
- 5) Approximately 75% of the work force was covered by the Sharing Plan at the end of the four-year period compared with 58% at the beginning.

In addition, two programmes have been set up under the Plan to

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1. Under an incentive plan, bonuses are paid to individual units that exceed their production quotas -- no matter at what cost in waste or spoilage. With increasing technology, much of the physical strain and skill have been removed from many operations and the value of incentive schemes has become increasingly subject to question.
 2. Kaiser Steel-United Steelworkers Long Range Sharing Plan. Four-Year Review. 22 May, 1967, mimeo.
 3. For greater details of employee gains see the enclosed chart.
 4. Four-Year Review, p. 2.

stimulate additional savings:

- 1) The Idea Proposal Program was set up in November, 1963, to allow individual employees the opportunity to submit their ideas on reducing product costs, improving quality, or eliminating safety hazards. At the end of the four-year period, over 5400 ideas had been submitted by 2555 employees with an acceptance rate of 70%.
- 2) 31 joint management-union committees were established in each department of the plant. The object here is to pinpoint high costs in each area and to formulate projects to reduce these costs. The Union members' time here is paid for by the company.

Plans similar to that at Kaiser's Fontana mill have since been installed at Alan Wood Steel Company and at Kaiser's Fabricating Division.

7. Other

The general philosophy towards industrial relations of chief company executive Edgar J. Kaiser has been alluded to at several points. He is, as has been stated, a maverick within the steel industry, a "social idealist",¹ who believes strongly in friendly, personal relations and continuing union-company "dialogue".

The workers, as well, have been considerably more militant and independent in outlook at Kaiser than in the rest of the industry.

1. International Brotherhood of Pulp, Sulphite and Paper Mill Workers, Automation, Fort Edward, N.Y., 1964, p. 271.

8. Evaluation

According to the BLS, this plan was primarily designed to distribute the benefits of industrial progress rather than merely to protect income and job security against the effects of technological change.¹

The Kaiser sharing plan is not and should not be confused with, a profit-sharing plan such as that at American Motors. Profits do not enter into gains and do not determine whether or not there will be savings.

The Kaiser Plan does have greater similarity with a Scanlon or Rucker plan, although the mechanics differ. Both types pay employees to the extent that there is increased productivity and material cost savings. But the latter (the "value-added" formula) includes items such as depreciation, executive salaries and other overhead -- items over which the employees have no control. Kaiser and the USWA, on the other hand, excluded these costs, but included the supply and material costs excluded by the Scanlon and Rucker plans.

Concerning the switch off incentives, Stieglitz² makes the point that there is no "buy out" in the strict sense of the term. Any money that would have been paid in incentive earnings (after the time represented by a lump-sum payment, if any) are added to the employees' gross share. Thus, the company does not profit from the elimination of

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1. BLS Report No. 266 (March 1964). "Recent Collective Bargaining and Technological Change", p. 3.
 2. NICB, op. cit., p. 28.

incentives. For both sides have stressed throughout that the total labour costs under the new agreement will be no less a percentage of total production costs than they were in 1961.

The fact that changes in the approach towards incentive elimination were necessitated in 1966 suggests difficulties in this aspect of the plan. However, the re-emphasis on incentives for selected employees was expected to help accomplish "the original objective of the plan".¹ It would appear that the elimination of wage inequities through incentives will not be accomplished, though this of course, will be but a minor factor in determining the overall success of the plan.

Concerning the creation of an employment reserve, A.H.

Raskin has commented:

"If the labor reserve turns out to be a pool of feather-bedded workers, the experiment will have proved a failure. If the pace of technological innovation and the plant's regular high turnover rate can be kept in balance, it will be a success." 2

Whether 155 employees in the reserve is a sufficient number from which to draw conclusions is not clear. In any case, the Four-Year Review makes no mention of featherbedding and claims that those in the reserve have performed valuable work throughout the plant by filling in for absentees and reducing what otherwise would have been overtime work.³ Harold Ruttenberg of Humanation Associates⁴ has suggested that

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1. Four-Year Review, p. 3.
 2. Raskin, op. cit., p. 116.
 3. Four-Year Review, p. 3.
 4. Social Order, November 1963.

the early high payoffs under the plan were primarily due to higher production volume and not necessarily increased productivity. The Kaiser plan is a "volume sensitive" plan and no plan can produce substantial savings solely on the basis of material and supply savings. "They will also have to save manhours", according to Ruttenberg. However, thus far these forecasts of gloom and doom have not materialized. Even the first downswing in returns (July, 1963) did not cause the wholesale abandonment of the plan.

For only 155 employees to be placed in the reserve over four years suggests that attrition and the dynamically expanding environment have been potent forces in the operation of the plan. In addition, there has been a payout under the sharing plan each month since its inception.

Perhaps the success thus far may be attributed to the prolonged boom which the whole economy, and particularly southern California, have experienced since the early 1960's. Perhaps the success is attributable to the inherent virtues of the plan. Or perhaps it is a combination of the two.

In any case, it remains to be seen what will happen should a serious downswing develop in the economy. Whether the Kaiser, or, indeed, any plan, can survive a significant recession must at this stage remain a moot point. Perhaps, the best assessment of the overall potential and

limitations is provided by Professor George Taylor, Chairman of the Long Range Committee.

"If this plan works, it will be because the people on both sides want it to work. If there is anything transferable about it, it is not the specific arithmetic but the basic principles of progress plus security on which it is built. It grows out of the determination of both sides to get away from crisis bargaining and work out realistic programs for dealing with the human problems of technological change." 1

1. Quoted in Raskin, op. cit., p. 116.

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Reprinted in MLR, Feb. 1963, pp. 154-160.

1. Source and Pressures for the Plan

The International Longshoremen's & Warehousemen's Union (ILWU) won recognition in 1934 after a long, bitter, and bloody battle against policy, community condemnation, a solidly hostile public press and the fully mobilized strength of the employers. After an 83 day strike, an arbitration by the National Longshoremen's Board appointed by President Roosevelt yielded the following gains to the ILWU:

- 1) Control over the size of the labour force;
- 2) A hiring system which guaranteed equal earnings. This principle of equal sharing of work opportunities provided a strong incentive to make the work last as long as possible and safety considerations often provided the rationalization for the development of a restrictive set of work rules within the industry.
- 3) The establishment of the joint hiring halls with union-elected dispatchers. Prior to 1934, these halls had been under management control.

The 14-year period from 1934 to 1948 was marked by continuing strife and violence. Killingsworth has estimated that during this period there were approximately 20 port strikes, 300 days of coast-wide strikes, 250 arbitration awards and uncounted thousands of 'quickies'.¹

1. Killingsworth, ILRR, April 1962, p. 297.

The economics of the longshore industry fed the 'quickie' strike. Since the direct employers of labour are commonly stevedores or terminal owners who work on a cost-plus basis, rather than the ship-owners themselves, the pressure is to settle and get the ships moving. Added incentive here lies in the high cost of port time and the resulting deterioration of efficiency by length of time the work takes rather than the labour cost. Also, whipsawing tactics became highly effective in a port or coast-wide strike by splitting off some of the employers in a highly competitive industry. The men clearly had the upper hand: at best, they might win a grievance, real or imagined and pick up overtime to clear the backlog. At worst, the work remained to be done.

Moreover, when the individual employee works for each employer only briefly, (the relationship is terminated when the ship is loaded or unloaded and leaves the port), there is some logic in written rules providing standard conditions of employment. Jurisdictional problems are also common on the waterfront.

Although the rate structure was favourable, the uncertainty of maritime transportation cost the industry much business.

After a bitter 95-day strike in 1948, a "new look" emerged, when the PMA changed its leadership and both sides changed their attitude.

Despite this dramatic change in attitudes, the union openly admits that until 1957 its policy was to create and keep, through

restrictive rules and practices, as many hours of work as possible.

In 1960, the following three rules were considered to be the most restrictive:

- 1) double-handling (a longshoreman had to move a pallet from the ship to the "skin of the dock" before a teamster could load it onto his truck);
- 2) a load limit of 2,100 lbs. per pallet; and
- 3) limits on gang size, often resulting in the "four-on four-off" gang (four men worked while four men rested).¹

2. Development of a Response

The new approach after 1948 originated with the leadership of the union who became convinced that restrictive work rules were forcing shipping costs higher than those in competitive forms of transport.² Since he felt that the productivity problem was a real one, ILWU President Harry Bridges concluded that a basic change in union policy was necessary and that a quid pro quo was obtainable from the employers.

During this period, a number of technological innovations had been precipitated in the industry, stemming from the fact that long-shore work in itself had been largely manual labour. And, despite the union's firm stand on restrictive work rules, changes in handling methods

1. Kossoris: "Working Rules in West Coast Longshoring," Monthly Labor Review, January 1961, pp. 2-3.

2. Killingsworth, op. cit., p. 299.

were slowly being introduced and the union was losing ground in the face of this trend.

The first formal discussion of the matter within the union took place in April 1957 at the longshore caucus to determine union policy for the 1958 negotiations. The caucus instructed the union officers to study the subject and to report back to another caucus in October, 1957. The officers presented a remarkably frank statement which offered the men a clear choice: "Do we want to stick with our present policy of guerilla resistance or do we want to adopt a more flexible policy in order to buy specific benefits in return?"¹ Had a vote been taken at once, the decision might well have been to fight to hold the status quo. But the view finally prevailed that such tactics would be a delaying action at best.²

A joint statement of objectives was adopted by the parties in November 1957.³ The ILWU proposed a sharing-of-gains approach, with roughly 50% of the savings in labour costs resulting from mechanization to be devoted to employee benefits. PMA apparently accepted this approach at that stage.

In 1959, the ILWU proposed that for every hour of work saved by mechanization, an hour's pay should be placed in a jointly trusted fund to be used for the benefit of the employees. However, due to lack

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1. "Coast Labor Relations Committee Report," (mimeo), presented to the Longshore, Shipclerks and Walking Bosses Caucus, at Portland, Oregon on October 15, 1957.
 2. Fairley, "The ILWU-PMA M & M Agreement," Proceedings, IRRA, 1 Vol., p. 103.
 3. For statement, see, Kennedy, pp. 172-3.

of usable productivity data, agreement was reached on an interim plan. In return for the right to mechanize without union resistance for one year, the employers would set up a \$1.5 million fund for the benefit of the fully registered work force. Work rules would be frozen for this one year, but subject to bargaining thereafter. The money was to be raised as the employers saw fit.

The parties agreed on two basic concepts:

- 1) the fully registered work force would be guaranteed a share in the savings effected, and;
- 2) the 1958 work force would be maintained, with allowance for attrition.

The PMA then "borrowed" Max Kossoris from the San Francisco office of the BLS to assist in the further development of productivity statistics and he worked with the confidence of both sides. The system he developed proposed that each steamship company would be responsible only for the gains made in its own operations and payments into the mechanization fund would be in direct proportion to that company's net West Coast gains. There were to be separate measurements for each restrictive practice given up.

The union came to the May 1960 negotiations and told the employers it knew that the Kossoris system was not fully tested. Therefore it would be willing to delay settlement for a year if the employers would be willing to pay an addition \$3 million into the fund for such mechanization as might occur in 1960-61.

In a surprise move, however, the PMA proposed to shift from

a sharing-of-gains approach to "buying out" the restrictive rules and opposition to mechanization. They were prepared to assume the risk of increasing productivity by the amount of whatever price was paid rather than work out a formula to pay in relation to productivity increases.

The union agreed to this approach and the emphasis shifted primarily to what was being bought out, and secondly, the price to be paid.¹

3. Scope of the Plan

The work force is made up of three groups: the A men, the B men and the "casuals". The agreement covers the A men or fully registered workers who are members of the union and have first choice of all available jobs. The B men are not members of the union and have the right to any work which the A men cannot or do not wish to perform. The size of the list of the A men and the B men in each port is determined by collective bargaining. The casuals, unlike the A and B men do not depend upon long-snooring as their primary source of income. They have no special rights at all, are not limited in number, and perform only such work as the A and B men will not or cannot do.

The agreement applies to all employers in the Pacific Maritime Association, formed by the merger of the old Waterfront Employers Association and the employers of offshore labour.

1. Kennedy, pp. 176-177.

Registration of class A seamen had been frozen in 1958 anticipating a drop in job opportunities. Under the new agreement, registration became coastwide instead of port by port, to facilitate shifts of men from one port to another.

Since the new rules laid down are coastwide in nature, the grievance machinery became considerably centralized. This was recognized as necessary by amendments to the contract, requiring certain issues to be settled at the top.

4. Procedural Mechanisms

The agreement provides for the establishment of a Mechanization and Modernization (M & M) Fund, which will be administered by a Board of Trustees appointed by the Association and the union.

The fund will be segregated into two parts: one for the payment of retirement benefits and the other for the payment of guaranteed average weekly income.¹

The trustees will not have broad powers to determine the types and amounts of benefits as do the trustees of the Miners' fund. Instead, the agreement specifies the types of benefits and states that the Union is to determine the amounts paid by the pension part of the fund.

The parties are to have joint control over the provision

1. Taft-Hartley Act requires that pension funds be separated.

calling for early mandatory retirement and differences are to be subject to arbitration.

Jointly administered funds are not new to the ILWU-PMA. They have operated a jointly administered welfare fund since 1950 and a pension fund on the same basis since 1952.

While the employees are explicitly protected against unsafe practices, onerous work, and speed up, management is given a relatively free hand to:

- 1) operate efficiently
- 2) change methods of work
- 3) utilize labour-saving devices.
- 4) direct the work through employer representatives.¹

Disputes concerning the application or interpretation of the agreement are to be determined under Coast Labor Relations Committee procedures.

Under this agreement, if an individual raises a grievance concerning an issue of safety or onerous work load, he does not walk off and the company does not fire him. He stands by and the local port arbitrator, on call 24 hours a day, comes immediately to the scene. If the arbitrator decides in favour of the individual, the company corrects the situation and the man is paid for his standby time. If the award is in favour of the company, the individual loses his pay. This procedure has considerably reduced disputes and virtually eliminated work stoppages.

1. Memo of agreement on M & M, Oct. 18, 1960, ILWU-PMA Article A(1).

A majority of the arbitrators are in fact ex-union men, since both sides realize the need for practical experience in the industry. There have been no difficulties in this regard.

The Joint Coast Labor Relations Committee serves for the industry much the same purpose as is served by the tripartite committee in the steel industry, namely to deal on a continuing basis with problems not readily solved during the more critical periods of collective bargaining. However, unlike steel, the parties here are handling these problems by themselves.¹

Almost all the cases handled by the arbitrators have been matters of detail. No important issue of principle under the M & M agreement have had to be settled by arbitration.²

5. Substantive Terms

The Mechanization and Modernization Agreement was to be financed by employer contributions of \$5 million annually for 5 1/2 years, beginning January 1, 1961. With the \$1 1/2 million contributed under the 1959 agreement, this meant that total contributions to the fund over the six-year period would amount to \$29 million.

The income of the fund is to be used to provide the following benefits to the fully registered (class A) employees:

- 1) Guaranteed average weekly income -- this wage guarantee is intended

1. Fairley, IRRA, 1963, p. 36.

2. Ibid.

to insure all class A men the equivalent of 35 straight-time hours per week. It is operative only when hours of work fall below the agreed level due to reduced work opportunity resulting from technological change; it does not apply to a decline in work opportunity because of a drop in tonnage. Likewise, the guarantee will not be for each specific week, but for a total of 140 hours in a 4-week period. Thus an employee may work less than the minimum hours in one week and receive no benefit from the fund because he has worked more than the minimum hours during other weeks. Forty percent of the fund (\$2 million a year) is to be used for this wage guarantee. A maximum benefit amount of \$400 is set for any 4-week period.

- 2) Early retirement, cash vesting and death benefits -- the other 60 per cent of the fund (\$3 million a year) is considered to be the men's "share of the machine".¹ An eligible longshoreman may voluntarily retire at age 62 and collect \$220 per month from the fund until 65 at which point the industry contribution drops to \$115. If a man works until retirement at age 65, he collects a lump-sum payment of \$7,920 (i.e. the amount he would have received over 36 months had he chosen early retirement). There are proportionate death and disability benefits. The parties may mutually agree to make retirement compulsory at age 62. In this case the pension will be \$320 per month until age 65. There are, of course, a minimum number of years (25 at age 65 for example) before any benefits may be obtained.

1. Fairley, IRRA, 1961, p. 672.

6. Experience Under the Plan

According to the study by Max Kossoris,¹ savings to the employers in the first year of the agreement amounted to \$6.5 million, more than enough to cover the \$5 million payments into the M & M Fund. Kossoris conservatively places savings to the employers over the 5 1/2 year period at \$150 million. Subtracting the payments to the M & M Fund of \$27.5 million, he accepts as realistic the employer estimate of \$120 million net savings over the life of the contract.

Total tonnage increased substantially over the period, while labour cost per ton actually dropped.² There have been three major changes in the work rules as a result of the M & M agreement:³

- 1) elimination of multiple handling;
- 2) reduction of gang sizes and elimination of unnecessary men. The reductions have not, in general, resulted in "speed-up", but have removed men who were formerly idle.
- 3) changes in sling-load limits.

In addition to these specific changes, the employers have gained the right to propose changes in manning for existing, unchanged operations. If the union objects the matter may go to arbitration while the existing arrangements are maintained. New methods of operation must be discussed with the union, but can then be implemented with the union

1. Kossoris, "1966 West Coast Longshore Negotiations", MLR, Oct. 66, p. 1068.

2. Ibid., p. 1068.

3. Fairley, IRRA, 1963, p. 37.

carrying any question to arbitration. In general, the employers have gained considerable flexibility to reassign men during a work shift.

All the benefits of the agreement were to apply only to Class A (fully registered) men, under the assumption that attrition would continue at its past rate of 4% a year.

But both deaths and retirements increased -- deaths because the work force grew older with no additions to the registered list and retirements primarily because of the changes in pension provisions. With cargo increasing, it became necessary to allow some class B men into the ranks of the A men and then to refill the B lists. So great was the financial attraction of the job that almost 10,000 men applied to fill 2,000 vacancies.¹

The members of the PMA are assessed 27.5 cents per ton of general cargo and 5.5 cents per ton of bulk cargo to raise the 5 million dollar cost. However, the benefits from the M & M agreement have been far from equal. Those who have introduced new equipment have gained far more than those who have not. Allocating the cost on the basis of man-hours worked as was originally intended, would provide substantially less incentive to innovate.

In 1966, the parties renewed the provisions of the original agreement, with slight modifications, for another five years. Employer payments will total \$6.9 million a year, or \$34.5 million over 5 years.

1. Kossoris, op. cit., p. 1069.

The wage guaranteed provision of the old contract, never used, was finally abandoned.

7. Other

The ILWU has an agreement with the employers in British Columbia, though the industry there was unwilling to set up a fund, even with a 95% strike vote. They agreed to pay specified benefits similar to those on the US West Coast for operating changes, principally in manning scales, but would not accept a fund.

Lincoln Fairley¹ points out that the employers in B.C. are not the shipowners, but rather stevedores (agents for non-Canadian lines or terminal operators). They are thus limited in their ability to pursue an independent labour policy. Fairley maintains that pressure from the big pulp and paper and similar interests provided the main sources of resistance in B.C.

8. Evaluation

In contrast to a sharing plan such as that at Kaiser, the PMA "bought out" for a fixed sum the restrictive work rules and union resistance to mechanization. This represented a reversal of position in 1961 and some reasons for the change have been put forward:

- 1) It was doubtful whether precise measures of savings on specific operations could be obtained.
- 2) It was internally divisive within the industry. The employers who

1. Fairley, IRRA, 1963, p. 44.

increased productivity through capital investments would pay at the same rate as those who gained through the relaxation of the restrictive rules.

- 3) Some employers feared a sharing or pay-as-you-save scheme could engender opposition from the employees on the grounds that the employers would not have to pay for what they were not getting. With a lump sum payment, the employers could claim that they were merely taking what they had previously paid for.

However, looked at from another angle, a sharing scheme would provide considerable incentive for the workers to co-operate in innovation. With a lump-sum payment, the employees could conceivably resist change, quietly fighting the employer at every step.

One of the persistent criticisms of the agreement has lain with its treatment of the B men. Since they typically depend on long-shoring as their principal source of income, they claim it is unfair that none of the \$5 million per annum goes to them. Killingsworth compares their plight to that of low seniority workers in many other industries -- when the need for labour declines, they are the first to be laid off.¹ In reply to this, the union alleges that it is only fair to limit the supply of employees in an industry to the number that can reasonably expect full employment under conditions of efficient operation.

The original M & M agreement was endorsed by the ILWU members

1. ILRR, April 1962, p. 304.

by a referendum vote of only 7882 to 3695, with the Los Angeles area local actually rejecting the plan. Those opposed to the plan would include:

- 1) Some of the younger men who would prefer more money now (as at Kaiser) rather than waiting twenty-five years. Since the industry has not experienced layoffs for several years, the younger men have not met with layoff by seniority.
- 2) Men who will not have worked sufficient years at retirement age to receive benefits under the plan.
- 3) Those who feel too much was given up and the union would better have retained the old restrictive rules.

In 1966, the overall vote accepting the agreement was much closer (6448 to 3985). Significantly, Seattle, Portland and the Los Angeles area, 3 of the 4 major ports rejected the plan with only the San Francisco local supplying a lopsided vote for overall acceptance.

Max Kossoris points out that labour surpluses may develop in some ports. Since all class A men have coastwide registration, they can (and may be required by the Coast Labor Relations Committee to) work in any coast port. Kossoris speculates that the wage guarantee fund should not have been eliminated and the retention of a minimum -- \$3 or \$4 million -- would have been wise. At present, there is no longer a wage guarantee and no one is guaranteed a job. Kossoris makes the further point that the benefits are presently structured so as to yield gains to the long-service man upon retirement. But the younger workers face the possibility that there

may be no mechanization fund by the time they reach retirement age. Unless the employers agree that the fund constitutes a continuing obligation, the union may find itself in an increasingly weaker position as time passes.¹ Indeed during the 1966 negotiations Bridges never contended that the suspension of the work rules by the 1960 agreement imposed a continuing employer obligation to pay for the lifting of these restrictions.²

Several specific points may be considered briefly in assessing the overall plan.

- 1) Forward thinking by the union was crucial. From the standpoint of the ILWU it was the anticipated effects of future change rather than a currently serious displacement problem that prompted the change in thinking. For the employers, the pressing problem was that of the heavy competitive handicap of restrictive work rules.
- 2) The work rules in longshoring were unusually restrictive. The employers were thus able to offer an especially attractive package to the union while at the same time making substantial gains for themselves. The potential pot was sufficiently large that it could be satisfactorily divided between the parties.
- 3) The agreement was reached without third-party assistance. Prior acceptance of the basic idea on both sides set an atmosphere conducive to mutual trust, thereby easing the bargaining tensions.

1. Kossoris, 1966, p. 1075.

2. Ibid., p. 1073.

- 4) Strong leadership on both sides enabled the agreement to be finally accepted. Both Harry Bridges (ILWU) and Paul St. Sure (PMA) were able to command the internal discipline within their organizations necessary to ensure acceptance and implementation of a radically new agreement.
- 5) Flexibility in approach was important. Both parties have been receptive to new ideas and willing to try them. The grievance machinery, for example, was capable of handling a heavy added load of cases without breakdown.
- 6) The operation of a hiring hall with rotational employment among all employers is a necessary counterbalance to the existence of a multi-employer industry. Only in this way can the problems associated with different productivity rates among different employers be overcome. Also, work opportunities fluctuate for the entire work force rather than specific employees.
- 7) Only with joint registration on a coastwide basis can the number of workers be controlled to ensure full employment for all on an efficient basis. The impact of this arrangement on those excluded has been discussed above.
- 8) The rate of productivity increase must be only slightly (if at all) greater than the anticipated attrition rate. Or, output must rise at a sufficiently rapid rate to absorb the entire force.
- 9) The parties had to agree that the benefits from increased productivity were to be in excess of rather than in exchange for normal improvements in wages and fringe benefits.

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QUEBEC IRON & TITANIUM

1. Source and Pressures for the Plan

Quebec Iron & Titanium is a wholly-owned subsidiary of two large American mining companies. It employs about 850 hourly-paid production workers at its Sorel plant, and about 225 men at its mines at Havre St. Pierre.

The Sorel employees have been organized into the Syndicat des Ouvriers du Fer et du Titane, one of the Federation Nationale de la Metallurgie -- CSN (National Metal Trades Federation) since virtually the beginning of plant operation (1950). The men at Havre St. Pierre belong to the United Steelworkers of America (AFL-CIO-CLC).

The history of bargaining at Sorel had long been one of hard lines on both sides.¹ In 1962-63, the plant underwent a bitter 7 month strike. A new agreement was signed, dated March 18, 1963.

2. Development of a Response

At the company's suggestion, both sides agreed to insert a clause in the agreement establishing a Human Relations Committee "to study and recommend solutions to mutual problems".² The feeling among both parties was that the strike could have been lessened in duration and intensity had there been better communications between them, and that the HRC might possibly

1. J.P. Frere, Manager of Industrial Relations, QIT, Interview, August 28, 1967, Sorel, Quebec.

2. Agreement, Article 13-01.

present one approach towards this end.

3. Scope of the Plan

QIT has three agreements at its Sorel plant -- one for the hourly -rated employees, one for the clerical, and a separate agreement with the five security guards. The HRC covers only the first of these, numbering approximately 850 men in the CNTU.

An extra contractual Human Relations Committee has also been established with the 225 men covered by a Steelworkers' agreement at the Havre St. Pierre mines.

4. Procedural Mechanisms

The HRC is normally composed of five representatives from each side, one of whom will be a rotating member.

The Committee is intended to fulfill a deliberative function only,¹ with the prime purpose of improving communications between the parties.

Meetings have normally been held every two months, except during the final year of the first agreement when an inter-union fight took place between the Steelworkers and the Syndicat.

The meetings in the past have normally been held in Montreal or somewhere else outside Sorel to ensure uninterrupted discussions. The

1. Agreement, Q.I.T.-C.N.T.U., Article 13-06.

meetings have normally been two days in length with morning and afternoon sessions under an alternating chairmanship.

No formal research, as such, is done prior to the meetings, though management, for its part, tries to have at least one "caucus" to determine its strategy.

Each party pays its own expenses. This has had an interesting effect as explained below.

Secrecy is to prevail in the deliberations of the Committee, at least in the sense that none of the discussions are to be used in the arbitration of any grievance. No documents released to the HRC are to be used in bargaining, arbitration or in publicity releases unless mutually agreed upon. However, any matters which have not been satisfactorily resolved may be an appropriate subject for collective bargaining at the expiration of the contract.

5. Substantive Terms

The agenda of each meeting is normally determined by combining together the issues which each side wishes discussed. It is considered desirable to have the agenda compiled two weeks prior to the meeting, though this has not always been possible.

The substantive terms discussed have generally been of the type that can be covered in a short period of time. Among the specific issues discussed recently are the following:

- 1) Re-assignment of handicapped employees.
- 2) Cost reduction program.
- 3) Rotation of foremen.
- 4) Contracting-out.
- 5) Housekeeping problems.
- 6) Department seniority concept.
- 7) Medical exams.
- 8) Bereavement leave.
- 9) French name for the Corporation.
- 10) Vacation scheduling.
- 11) Profit sharing.
- 12) Ways and means to settle differences without strikes or lock-outs.¹

6. Experience under the Plan

The clause concerning the HRC, was re-inserted without change in a second agreement, covering 1966-1969. One specific contract change² referring to the mechanics of vacation and holiday pay can be attributed directly to the work of the HRC.

7. Analysis

Although both the name and the purpose of the Human Relations Committee would suggest that at least part of the original impetus came from the American basic steel industry, this is a very different type of committee.

1. J.P. Frere, Manager of Industrial Relations, Letter, June 19, 1967.

2. Agreement, Article 8-03.

The financial and staff constraints imposed upon the QIT context prevent any ongoing research or consultation. Indeed, with the establishment of a HRC at Havre St. Pierre, it was necessary to have the first meeting on a Saturday as the union claimed it was in no financial position to pay for the officers' days off. Even at Sorel, it has been decided to have the meetings in the area, rather than go off to Montreal; this may be attributed to a vocal minority within the union who have attacked the "unnecessary and excessive" expenditures of funds.

To even attempt discussing the intricacies of an issue such as pensions at a two-day meeting when there are several other issues on the agenda would seem an exercise in utter futility. All that could rationally be done would be to discuss a basic approach to be followed. The agreement provides that the HRC may retain, by mutual agreement of the parties, qualified experts "for the purpose of consultation and advice".¹ Thus far, this option has not been taken up, and the financial barrier would seem likely to continue to exclude the use of outside experts. The parties did, however, recently agree to the establishment of sub-committees to deal with some of these involved issues.² None have yet been appointed.

Likewise, the lack of research prior or subsequent to the meetings, is largely due to financial factors. It would appear that the resources are laid out for the pre-contract negotiations because of the scope of the stakes involved. However, on a continuing research basis, the

1. Agreement, Article 13-03.

2. J.P. Frere, Interview, August 28, 1967.

issues are less immediate, and the funds non-existent.

According to management, one of the main difficulties with the HRC is "to prevent the sessions from degenerating into super-grievance meetings".¹ Taking this with the limitations just described, it would appear there is little that can be done other than to create an atmosphere between the parties, to break down some of the barriers to communication.

Although the exchange of views at these meetings is considered to be "quite frank and open"², there are difficulties nonetheless. The general manager and his assistant are both Americans, speaking no French, while all HRC meetings are conducted in that language. In addition, it was suggested³ that some of the newer union members of the HRC may tend to be over-awed by the presence of the general manager and inhibited from being overly aggressive. A general difficulty encountered with the rank-and-file is often to extend their horizons, to discuss broader issues and approaches towards specific problems.

Part of the difficulty of the HRC lies in the nature of the contract and environment. Quebec law permits a second union to attempt to obtain certification only during the last couple of months of the current contract. This the Steelworkers attempted to do in 1965, producing intense union rivalry, and totalling disrupting the HRC. Yet it is precisely in this period of pre-contract negotiations that the HRC could allegedly serve a

1. J.P. Frere, Letter, p. 1.

2. J.P. Frere, Letter, p. 1.

3. J.P. Frere, Interview, August 28, 1967.

most useful role as a prelude to a new agreement. It would appear at least possible that a similar occurrence will disrupt the HRC in 1968, prior to the next contract period.

Likewise, a union executive running for re-election is likely to be pre-occupied other than with the HRC, further preventing its smooth operation. And, of course, it will take some time for a new executive to get the feel of what the HRC is, and what it can do.

In general, then the scope and limitations of the HRC must be clearly recognized. But, within this framework, it does perhaps have a valuable role to play. It is not possible at this point to evaluate its success, as the inter-union difficulties prevented its effective operation. The HRC, to management, is an "experiment"¹, and to the union, "it is still too soon to appreciate its achievements".²

If there is a genuine desire on both sides to solve their difficulties peacefully, the HRC will provide a useful vehicle. If there is no such feeling, the Committee can serve no purpose.

1. J.P. Frere, Interview.

2. Maurice Langevin, Conseiller Technique, Federation Nationale de la Metallurgie, Letter, August 24, 1967.

RAILROADS - KELLOCK ROYAL COMMISSION

1. Source and Pressures for the Plan

Prior to the introduction of the diesel locomotive, it was always assumed that the train could not be operated without both an engineer and a fireman in the cab. When the diesels were first used in the 1930's the trains used only one man, an engineer, the carriers contending that the firemen had neither the training nor experience necessary.

In 1935, after a threatened strike by the Brotherhood of Locomotive Firemen, an agreement was reached with the Chicago, Burlington & Quincy Railroad calling for a fireman-helper on all passenger diesels. In early 1936, many other railroads followed suit.

Through 1936 the BLF attempted to have one of their men placed on all diesels. As a result of an agreement reached in 1937, it was estimated that 700 additional firemen-helpers would be employed on locomotives that were currently being operated with one man.¹

Through the 40's the issue was the placing of a second fireman on multiple diesel units. Emergency boards created to hear these cases rejected the union's demands.

In 1956 the railroads tried to take the initiative for the first time by proposing that the diesel rule in agreements be changed so

1. BLF's Magazine, March 1937, p. 147.

that the use of firemen in passenger, as well as in freight and yard service, should be at the discretion of management. The proposal was withdrawn as part of the settlement for a three-year agreement.

In Canada, the Canadian Pacific Railway Company proposed to the Brotherhood of Locomotive Firemen early in 1956 that the employment of firemen on diesels in freight and yard service be dispensed with.

In April 1956, a conciliation board was established which reported in December 1956. The company accepted the findings, the union did not, and a brief work stoppage occurred in January, 1957.

The strike ended when the parties agreed to the establishment of a Royal Commission and to renegotiate the disputed issues in light of the Commission's report. The chairman of the three-man commission was R.L. Kellock.

2. Development of a Response

The Kellock Commission was appointed to inquire into and report on all matters necessary to answer two main questions:

- 1) Are firemen (or firemen-helpers) required on diesels in freight and yard service on the CPR?
- 2) If not, what terms and conditions should be observed by the Company with regard to the firemen, so as to be fair to the firemen, users of the Railway, the Company, and the other employees?

At the time of the hearings, a crew in charge of a freight train

generally consisted of five men -- an engineer, a fireman, a head-end trainman, a conductor, and a rear-end trainman. The first three rode in the cab of the locomotive, while the latter two rode in the caboose.

The Union contended that a fireman was necessary in the cab of a diesel in freight and yard service. A fireman was needed for the following reasons:

- 1) To pass signals from the originator to the engineer.
- 2) To be on the look-out whenever necessary.
- 3) For mechanical assistance.
- 4) To relieve the engineer "in time of need".

3. Scope of the Plan

There were approximately 2,745 firemen employed at that time in freight and yard service by the Canadian Pacific Railway Company. The Company had estimated that the removal of firemen from diesels in freight and yard service would result in annual savings of \$5,746,000 in the first year, and ultimately in annual savings of \$11,581,000.

4. Substantive Terms

The Commission held that there was no real basis for the use of a fireman on diesel locomotives in freight and yard service.

During the course of the hearings, the Company had made a proposal concerning treatment of the firemen. The Commission noted the Union had at no time criticized the merits of the Company proposals.

Taking the Company offer to be fair, the Commission accepted it as its own proposal. The Company proposed establishment of three separate categories of employees:

- 1) Those with seniority prior to April 1, 1953. This date was exactly three years prior to the date on which the Company had notified the Union of its intent to terminate firemen on diesels in freight and yard service. The employment rights of these men would in no way be altered, with attrition to serve as the only factor reducing their number.
- 2) Those with seniority later than March 31, 1953, but before April 1, 1956. Firemen in this category would no longer serve as firemen, but would be offered alternate employment as trainmen or yardmen to the extent such work was available, preserving their existing seniority rights as firemen. If they refused such employment, they would be deemed to have resigned from the service. If they failed to exercise their seniority as firemen on passenger service when this became available in their seniority district, they would forfeit those rights. Of these latter, those available for alternate employment in their seniority districts would continue to receive yardmen's or trainmen's wages during the time they would have been employed as firemen, had firemen continued to be employed on diesels.
- 3) Those with seniority after March 31, 1956, by which time the Company had notified the Union of its intentions, would have no rights to any job with the Company, but would receive preferential hiring treatment.

5. Experience under the Plan

The BLF refused to accept the recommendations, and after further negotiations failed, went out on strike against the CPR in May, 1958. The Union did not receive sufficient support from the other operating unions, and the diesels continued to operate. In three days, the Brotherhood yielded and accepted the recommendations of the Kellock Commission.

The same issue was immediately raised by the CNR, and after negotiations dragged on for a year, a strike was scheduled for May 1, 1959. When it became clear that the Brotherhood would again not receive the full support of the other operating unions, the strike was called off a few days before the deadline. The CNR agreement followed the same pattern as that with CPR, except for later effective dates.

6. Other

In 1962, the railways and the unions representing the non-operating employees agreed to the establishment of a job security fund. The employers agreed to contribute one cent per employee per hour worked to this fund, which would serve to cushion in various ways the effects upon long-service employees whose jobs are eliminated by technological change. The fund may be used for retraining, relocation, or any other form of assistance agreed upon by the parties.

7. Evaluation

The Kellock Commission explicitly stated that there was at no

time any disagreement over the substance of the Company proposal. The only issue, to the Brotherhood, was whether or not firemen would continue to be employed on diesels in freight and yard service.

It is not relevant here to question the findings of the Commission in this regard. Suffice it is to say that the firemen were no longer required as the Union contended. It follows directly that the issue became the terms accorded the firemen. And, as stated, this issue was no issue.

The settlement terms were generous, but the potential savings to the Company were so substantial that it could afford to be magnanimous. Had the Brotherhood concentrated its energies on the substance of the proposal rather than on the existence of the proposal, it might have emerged with even better terms.

In any case, the establishment of different categories of employees would appear to be eminently fair -- full protection for the most senior, with decreasing coverage as seniority diminishes. With this principle accepted, only the details remain to be determined. And as stated, there was no dispute here.

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AUTOMOBILES

(Excluding American Motors)

Management in the automobile industry, except in the skilled trades, has been virtually free of restrictions on its right to assign work, combine or eliminate jobs and to determine crew sizes. The nature of the industry is such that continual change is a fact of life -- changing production methods (the annual model change); high company mortality, and considerable decentralization, resulting in the closing of old plants and the shifting of production to new units in different geographic areas. Custom and practice have little opportunity to take root in this context.

Informal restriction of output is also rare in the industry. There are few incentive payment systems and most employees work on an assembly line under production standards. Failure to attain the standard is cause for discipline, but surpassing it does not yield extra pay.

Management is considerably more limited in dealing with the skilled trades. Particularly Ford, at its Rough River complex, has been hit by a series of arbitration decisions holding that where a particular kind of work has consistently been assigned to a skilled trade, management must continue that assignment practice.

Although skilled tradesmen are but a small fraction of the total work force, their different status in the industry illustrates a significant point: the inherent nature of the "job(s)" involved is

generally a more significant factor in determining the mode of accommodation between job security and managerial flexibility than is such a matter as the relative bargaining skills of the parties.

And the mode of accommodation that has evolved has emphasized measures to cushion temporary or permanent displacement, or to allocate it equitably, rather than measures to limit managerial flexibility to assign labour efficiently.

In the 1955 Congressional hearings on automation, Walter Reuther suggested earlier pensions and accelerated social security eligibility for those workers unable to adjust to the new technology. He called for an increase in the minimum wage and a further reduction in the length of the workweek.¹

In this same year, the auto industry pioneered supplementary unemployment benefits (S.U.B.) which provide some assistance during readjustment for permanently displaced employees as well as aid for those only temporarily displaced. Additional assistance for the permanently displaced (tied into the S.U.B. provisions) was provided in 1958 in the form of severance pay. Early retirement benefits are also available for the older displaced employee. The companies have long permitted employees to "follow the work", either through interplant transfers or preferential hiring rights.

1. Reuther, The IMpact of Automation, Detroit, U.A.W.-C.I.O., Solidarity House Publication, December 1955.

The 1961 negotiations liberalized existing S.U.B. provisions, separation pay and retirement benefits, and introduced for the first time, short-week benefits and relocation allowances. The former is a payment for hours not worked below the regular 40-hour week and the latter are paid to workers who change their permanent residence to take advantage of transfer rights under the Agreement.

For details of General Motors-U.A.W. severance pay and layoff benefit plan see B.L.S. Bulletin 1425-2, "Severance Pay and Layoff Benefit Plans", pp. 66-67.

For the Ford-U.A.W. S.U.B. plan, see BLS Bulletin 1365, "Digest of Nine Supplemental Unemployment Benefit Plans -- Early 1963", pp. 9-12. Full text in Pulp Workers, Automation, Appendix c, p. 319.

Significant in the 1961 agreement was the refusal by the union to sign national agreements on economic issues until local issues were settled. This upgrading of certain local issues to national bargaining was accompanied by a willingness to strike over these local issues.

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FREEDMAN REPORT

1. Source and Pressures for the Plan

The run-through problem in its contemporary aspect and in its present dimension is a product of technological advance. The coming of the diesel, along with other technological advances made it possible for a railway to run longer distances without a change of crew than was possible with the steam engine.

Since at least 1958, various run-throughs had been instituted in Canada which met with varying degrees of resistance. Previous challenges by the unions had always been unsuccessful in the courts.

On October 25, 1964, Canadian National Railways attempted to implement a plan for extended crew runs through the terminals of Nakina, Ontario, and Wainwright, Alberta. The running trade employees resisted this plan and showed their opposition when over 800 trainmen, conductors, firemen and engineers booked sick. Faced by the prospect of a transcontinental railway stoppage, the Federal Government intervened. On Monday October 26, CN President Donald Gordon offered to postpone implementation of the plan, if the Government would appoint a neutral person to examine CN's run-through proposals. The Government agreed to this suggestion and on November 5, 1964, Mr. Justice Samuel Freedman of the Manitoba Appeal Court was appointed pursuant to section 56 of the I.R.D.I.A.

2. Development of a Response

Under its terms of reference, the Commission was to inquire into the industrial situation arising from the CN run-throughs at Nakina and Wainwright, including any matters incidental or relating thereto and to report to the Minister its findings on and recommendations for application to the industrial situation affecting the two terminals and for general application to similar situations that might arise in future.¹ Canadian National made it clear before the Commission² that the establishment of run-throughs was merely one aspect of a total modernization program which had the twin objectives of efficiency and economy. Run-throughs would aid the attainment of these goals:

- 1) The elimination of unnecessary delays connected with crew changes would expedite and improve service. A saving of 10 minutes can result from a single run-through, and as the Company foresees 15 such run-throughs over the next three to five years, the overall time saving would be increased accordingly.³
- 2) Labour costs would be reduced.
- 3) Other costs would be reduced through
 - a. increased utilization of locomotive and car equipment.
 - b. abandonment of unnecessary facilities of various kinds.
 - c. retirement of local yard trackage.

1. Report, pp. 1-2.

2. Report, p. 37.

3. Report, p. 39.

The Commission accepted as realistic an estimated annual saving to the Company of \$850,000 -- \$875,000 when its full run-through program was implemented.¹

The Brotherhoods argued that any savings of time and of money would be more than counter-balanced by the hazards to safety and by the added discomforts which extended crew runs would bring:

- 1) The Company's proposed operation would necessarily entail longer hours on duty, with resultant fatigue and with consequent danger of accident.
- 2) The longer runs contemplated by the Company would make the work load unbearable, quite apart from considerations of safety.
- 3) The lack of amenities in cabooses and in diesel locomotives were unacceptable on runs over more than one division.²

The Commission held that run-throughs are an appropriate and justifiable railway operation and should be instituted -- in proper circumstances and under proper safeguards.³

With regard to the specific run-throughs being considered, the plan for Nakina lacked adequate advance notice. The actual areas the Company was prepared to discuss were decidedly limited. The Company offered to purchase the homes of the displaced men, but its prior failure to inform the Brotherhoods severely impaired union-company relations.⁴

At Wainwright, the Company may be faulted for excessive rigidity

1. Report, p. 41.

2. Report, pp. 41-47.

3. Report, p. 47.

4. For discussion of Nakina run-through, see Report, Ch. 5, pp. 48-50.

in considering run-throughs a non-negotiable issue and for failing to protect those displaced from real estate losses. But, in Wainwright, the Company could not fairly be criticized for acting in violation of good labour-management relations.¹

The Commission found the work stoppage to be in violation of both civil and criminal law.² The wildcat strike was seen primarily as an act of protest, in decreasing order of importance, against

- 1) run-throughs as a form of railway operation made possible by advancing technology;
- 2) the Company's arbitrariness in imposing the run-throughs;
- 3) the Brotherhood leaders for having failed to secure protection against unilateral changes in working conditions being made during the life of a contract.

The Commission went on to consider whether CN did have the right, as part of the management prerogative, to institute run-throughs.³

The Company based its claim on four points:

- 1) Inherent or residual rights. -- Whatever has not been bargained away by the collective agreement remains within the exclusive control of management. The Commission believed that the views of Mr. Justice Laskin in this regard -- that managerial rights today cannot be determined by pre-collective bargaining standards -- possessed great merit and demanded serious attention.

1. Report, Ch. 6, pp. 59-68.

2. Report, p. 69.

3. Report, p. 91.

- 2) Contract. -- Because the collective agreement made no reference to the subject, the Commission could not say that the Company has a contractual right to institute run-throughs.
- 3) Usage. -- The Nakina and Wainwright run-throughs had been preceded by others and the Brotherhoods were, in fact, working them.
- 4) Law. -- Although the Industrial Relations and Disputes Investigation Act expressly prohibits the employer from making any changes in employment conditions during the open period when a contract is under negotiation, there is no such prohibition for the closed period when a contract has been signed and is in effect.

3. Scope of the Plan

The inquiry was conducted with reference to the Canadian National Railways and the three running trade brotherhoods -- the Brotherhood of Locomotive Engineers (2,300 membership on CN), the Brotherhood of Locomotive Firemen and Enginemen (2,900), and the Brotherhood of Railroad Trainmen (9,000).

The Commission extended an invitation to the Canadian Pacific Railway to participate in the proceedings. The CPR concluded that the terms of reference did not extend to, or include, it and accordingly the invitation was not accepted. But since the Commission was concerned with the issue of run-throughs, any relevant material relating to the CPR was accepted in the proceedings.¹

1. Report, pp. 2-3.

The report of the Commission was intended to apply to run-throughs, and, where applicable, to similar situations in general. To predict what such situations might be and how they might arise was a task the Commission did not feel called upon to undertake.

4. Procedural Mechanisms

The Commission believes that the institution of run-throughs should be a matter for negotiation (see below). Since run-throughs are not all equal in their effects, the Commission recommends that either party should have the right to refer to an arbitrator the question whether a proposed run-through would or would not have the effect of causing a material change in working conditions. If the arbitrator should conclude that it would not, the Company would at once be entitled to implement its plan. If, however, a material change in working conditions would result, the Company would be obliged (unless it could secure Brotherhood consent) to withdraw its plan until the next open period. At that time, negotiations could proceed, subject to the legally available sanction of the strike and lockout. The arbitration function should be performed by a single arbitrator to be agreed upon by the parties, or, failing agreement, to be designated by the Minister of Labour.¹

Assuming voluntary agreement between the parties is not possible, legislation would be required to enact the recommendations. This could be done either through the Railway Act or the I.R.D.I.A. If the latter were used, it would be possible to provide, by an appropriate amendment, that

1. Report, pp. 100-101.

any technological innovation, development, or change proposed by the employer which would materially and adversely affect the working conditions of the employees, should either be deferred for negotiation at the next open period or be dealt with in the same way as if it fell within the scope of subsection (2) of Section 22 of the I.R.D.I.A. Act. This provides that the parties may by their collective agreement reserve a particular issue for later consideration and still retain the right to strike or lockout with regard to that issue, after compliance with the compulsory conciliation proceedings of the Act. Amendment through I.R.D.I.A. would have the advantage of closing a gap in the statute which technological advance has revealed.¹

The communities affected, as well as the Brotherhoods, should receive 30 days' prior notice of intended run-throughs. Within this time, the community could apply to the Canada Board of Transport Commissioners (or the Branch Line Rationalization Authority recommended in the Royal Commission on Transportation, should such a body be established) for a hearing upon the run-through proposal. The main purpose of this hearing would be to determine, not if, but rather how and when, the run-through should be implemented. The Board, in considering the timing and phasing of the plan, could implement one of three options:

- 1) Let the plan proceed as scheduled.
- 2) Let the plan proceed as scheduled, but with modifications.
- 3) The run-through should be delayed in whole or part for such time as

1. Report, pp. 102-102.

deemed proper, and be implemented at the end of that time. Or, the Board could direct that the matter be reconsidered after the lapse of time.¹

5. Substantive Terms

The Commission concluded that on the basis of the law as it exists today, the Company does have the right to institute run-throughs. However, it should not continue to have the right. The institution of run-throughs should be a matter for negotiation.²

Noting that in the United States run-throughs are negotiated, the Commission held that the risks involved in such a process should definitely be taken for three reasons at least:

- 1) The record of the operating Brotherhoods is not one of irresponsibility.
- 2) Enlightened self-interest demands that the Brotherhoods not obstruct. They have made it clear that they would co-operate in a run-through program if it were made a negotiating matter.
- 3) The alternative is worse. Retaining the implementation of run-throughs as a sole management prerogative will only lead to resistance, rebellion and a defiance of the law.³

The Commission believed that the Company should give to both the Brotherhoods and the community involved a minimum of 30 days' notice of a

1. Report, p. 115.
2. Report, p. 93.
3. Report, pp. 96-97.

proposed run-through as a prelude to negotiations.

The Commission held that an obligation rests upon the Company to take reasonable steps towards minimizing the adverse affects which a run-through may have upon its employees. That obligation has its root in the principle that when a technological change is introduced, the cost of reasonable proposals to protect employees from its adverse consequences is a proper charge against its benefits and savings.

The Commission recommended that any employee required to change his place of residence as a result of a run-through should be compensated by the company for financial loss suffered in the sale of his home at less than its fair value. Fair value should be determined as of a date sufficiently prior to the announcement of the run-through to be unaffected thereby. Any dispute on value should be resolved by a majority decision of a three-man evaluating committee, with the neutral member selected by the two partisan representatives.¹

If the dislocated employee is not a homeowner, but occupies his residence under an unexpired lease, he should be protected by the Company from monetary loss arising from the need to terminate it.

The Commission held that moving privileges for household goods should be on a door-to-door rather than, as now, a station-to-station basis.² An employee who has served the Company for at least one year and

1. Report, pp. 104-105.

2. Report, p. 105.

who loses his employment by reason of a run-through should be entitled to receive severance pay or a lump-sum separation allowance along the lines set forth in the CN-CPR Act.¹

With regard to the obligations to the communities affected, the Commission knew of no ground of company responsibility other than that of good corporate citizenship, a ground which CN itself acknowledged. The Commission approved a policy of giving advance notice and disapproved of silence, lest early communication stir up unrest and agitation.

Good union citizenship demands a recognition that change must occur and resistance to change hurts everyone. The Brotherhoods should examine the seniority system with a view to introducing a greater degree of flexibility in it, consistent, of course, with its general purpose.

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1. See Report pp. 105-107 for details of length of time or amount of severance pay.

A monthly allowance would be paid for a length of time determined and limited by the following table:

<u>Length of Service</u>		<u>Period of Payment</u>
1 year and less than	2 years	6 montns
2	3	12
3	5	18
5	10	36
10	15	48
15 years and over		60

A lump sum separation allowance would be determined by the following table:

<u>Length of Service</u>		<u>Separation Allowance</u>
1 year and less than	2 years	3 montns' pay
2	3	6
3	5	9
5	10	12
10	15	12
15 years and over		12

There is a government obligation as well. If public policy requires a delay in the institution of a run-through, then public policy should pay for that delay¹ i.e., the Company should be reimbursed from the federal treasury for such pecuniary loss as it must suffer because of compliance with an order imposing delay.

After a run-through has been implemented, there remains a responsibility on government (both federal & provincial) to reduce the disruptive effects on the community involved.

6. Experience under the Plan

The plan has not yet been implemented. Predictably, the rail Brotherhoods, and the union movement generally, have pressed for the enactment of Justice Freedman's recommendations -- at least those with regard to negotiating the introduction of technological change.

The Canadian Labour Congress, in its annual brief to the Cabinet,² strongly urged the I.R.D.I. Act be amended as soon as possible to require an employer to defer any technological changes until the trade union with which he dealt had been notified and given a chance to treat them as a negotiable item.

The Congress agreed that voluntary enactment would be the most effective means of implementation, but doubted whether it would be possible

1. Report, p. 115.

2. C.L.C. Memorandum to the Government of Canada, Feb. 15, 1966, pp.32-34.

to secure agreements from management on a sufficiently wide scale as to obviate the need for legislation. It therefore called for an amendment to I.R.D.I.A. along the lines set out in the Report.

The C.L.C., at its 1966 Convention, further endorsed the Freedman Report.¹ Management, on the other hand, felt that implementation of the Report would retard innovation and delay economic progress.²

The position of the Government on this matter has been at best, unclear. Hon. J.R. Nicholson, Minister of Labour, has placed maximum emphasis on voluntary co-operation, stating that there is nothing to prevent a given union and management from writing a clause into their next collective agreement, effecting a plan similar to that recommended by Freedman.³ Hon. Jean Marchand, on the other hand, has shown somewhat less indecision. He has come out unequivocally in favour of workers getting notice from management of technological innovations and major changes on production methods. The notice should be at least three months, as advocated by the Economic Council, rather than the 30 days called for by Freedman. However, Marchand was reluctant to legislate if adequate consultation developed on its own, and he clearly rejected Freedman's insistence that

1. See Labour Gazette, June 1966, pp. 283-284.

2. See, for example, remarks by J.W. Henley, Canadian Westinghouse Ltd., quoted in Globe, May 27, 1966. Article by Roger Newman: "Freedman proposal would impede economic progress, executive says."

3. See, for example, remarks to B.C. Division, Canadian Manufacturers' Association, Vancouver, May 19, 1966, in Labour Gazette, July 1966, p. 346. Also see, Globe, February 19, 1966: "Prime Minister hopes for action on job dislocation."

major technological changes should be postponed until union agreement has been secured. In its place, he suggested that if manpower adjustments are unacceptable to the workers, there would be the right of appeal to an arbitrator. But the appeal would not be on whether the change should be postponed. Rather, the arbitrator would determine whether the changes in working conditions were so substantial that the existing contract should be invalidated. That is, instead of delaying the change to the next open period, the open period would be brought forward to follow the change closely, if it was substantial enough.¹

8. Evaluation

Professor H.C. Pentland goes even farther than Mr. Justice Freedman and states that technological changes should always be negotiable under any collective agreement, no matter what the agreement says or omits.² However, by all expected standards, the Report is extremely liberal in approach.

Justice Freedman hastens to point out that he does not wish technological change blocked by a reluctant union. Rather, he only wishes it delayed for a reasonable period to allow for adjustment to its effects. This is an ethical value judgment, and the decision is not subject to economic analysis. The implications, however, suggest greater costs for the firm under the Freedman plan, both directly (in payments) and indirectly

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1. Hon. Jean Marchand, Minister of Manpower and Immigration, Remarks to Economic Council of Canada Conference, March 21, 1967.
 2. H.C. Pentland, "Law and Automation: The Freedman Report," p. 18, Canadian Personnel and Industrial Relations Journal, Nov. 1966.

(by delaying the introduction of technological change). Demand for the firm's output may be greater without the Freedman Report, as the new innovation can be introduced sooner. In the longer run view (i.e., after the change has been fully implemented) the only difference is likely to be in the direct costs originally agreed upon, i.e., the size of the direct payments to the workers and community. Whether these will be larger without or without Freedman is not clear, although the former may be somewhat more likely.

One or two specific points in the Report may be considered:

- 1) Freedman contends (p. 115) that if public policy requires delay in implementing change, public policy should pay. An equally tenable case could perhaps be made that the social costs (as well as the private costs) for disruption through innovation should legitimately be charged against the innovator. By this line of reasoning, any additional effects, not covered through direct bargaining, would also be part of the cost of introducing technological change. The degree to which indirect costs would be charged to the innovator is unclear.
- 2) The Freedman Report does not call for the use of attrition. As shown in the table above (f.n. 1, page 10) he does not make a qualitative distinction between high and low seniority employees. Even the most senior men can be laid off -- with large payments, admittedly, but without guarantee of other work.
- 3) A valid question may be raised as to whether the bargaining table is the best locus within which to deal with automation. Many agreements,

such as the Human Relations Committee in Steel, have felt that problems of technological change are too complex to be dealt with in pre-contract bargaining, and should rather be considered in a somewhat less pressured atmosphere. However, viewed in contrast to unilateral management enactment, Freedman definitely represents a step forward. Whether this, or any other, relationship can reach the exalted level of continuous, harmonious consultation is at this time a moot point.

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GLASS CONTAINER INDUSTRY

Firms representing about 90 per cent of the industry production including all major companies are associated in the Glass Container Manufacturers Institute (GCMI), a democratic association in which each company has one vote. The GCMI performs many functions for its members, such as promotion and labour relations.

The Glass Bottle Blowers Association (GBBA) grew out of unions formed in the original organizational period of the glass-blowers more than a century ago. With the introduction of automation, it began representing machine workers in the industry.

Automation in the industry began in 1896 with the introduction of machine-blown glass and so both parties have been coping with the related problems for some time. The effect of technological change, however, has been softened by the continual expansion of the industry.

The union acknowledges that technological change must be permitted if the industry is to survive and has accepted automation since its earliest days. The companies, for their part, have acknowledged the dislocation problems that arise. In the 1962 negotiations, an industry-wide transfer clause was introduced. Although its value is limited because it does not contain vested seniority rights, the clause may prove increasingly valuable in the future.

There is a National Glass Committee which is to provide continuous study of critical problems, among which is automation. This Committee resembles to some extent the Human Relations Committee in steel.

I.L.G.W.U. SUPPLEMENTARY UNEMPLOYMENT

Severance Benefits Fund

The S.U.S.B. Fund of the I.L.G.W.U. was not created because of the introduction or threat of major technological change. The main cause of displacement in this industry is the closing of firms and the fund was developed solely to deal with this problem. However the approach followed to deal with closings or substantial curtailment of operations could be of special significance for automation funds.

Only those workers who are displaced and not those who remain on their jobs receive displacement benefits. The benefits are adjusted under a rational plan, based on three factors:

- 1) length of service,
- 2) value of job (as measured in past earnings),
- 3) length of unemployment following displacement.

There is a conscious attempt to equate benefits with the losses resulting from displacement.

The benefits are financed by a multi-company fund to which all firms contribute at the rate of 0.5% of payroll. While this approach does not serve to discourage plant closings, it does provide an inexpensive and convenient way to raise the money. It also makes the payments of the benefits much more secure than would be true of individual company nonfunded severance pay plans.

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INTERNATIONAL ASSOCIATION OF MACHINISTS

The IAM has historically approached the concept of training through apprenticeship. Recent technological advances have led to the development of programmes to upgrade the skill levels of members who have already achieved journeyman status.

Several examples of retraining programmes undertaken by the IAM may be found in the IAM publication "Training for Tomorrow" (1964), pp. 21-22.

MARITIME EXPERIENCES

(Excluding West Coast Longshore)

Aaron Warner gives an overall view of the offshore maritime industry in the U.S.¹

He finds that technology has already advanced substantially, especially in that part of the U.S. fleet which has received government subsidies for the replacement of aging vessels. The adoption of further shipboard mechanization will inevitably involve further reductions in crew sizes for American flag ships.

The question becomes one of the pace at which change is to be introduced. To facilitate solutions to this question, he proposes establishment of a joint council on which all the subsidized operators and unions would be represented.

To win the agreement of the union leadership, Warner sees two steps as necessary:

- 1) An expansion of the U.S. merchant marine, preferably with increased subsidy aid.
- 2) Improved manpower planning to bring about a better balance between available jobs and the size of the work force.

With regard to this latter consideration, Warner finds an aging labour force, in part recruited to meet the heavy demands of World War II

1. Warner, "Technology and the Labor Force in the Offshore Maritime Industry", IRRA 1965, pp. 139-150.

and the Korean War. As a large part of this force is rapidly approaching retirement, attrition may well result in a shortage of trained officers willing to go to sea. Within the unlicensed (lower skilled) ranks the entry of younger men has more than compensated for the attrition producing an oversupply.

Manpower planning to this point has been largely a defensive mechanism, by the various unions, fighting to protect their jobs.

The real problem is one of increasing mobility within the labour force. To this end, Warner calls for increased training facilities, much of which will have to be undertaken by the unions themselves, with financial assistance wherever possible from automation funds or government.

On a more institutional level, mobility is currently restricted by the lack of provision for transferring pension rights from one union to another. The ultimate solution here may be a unified pension plan for the industry as a whole, with only two unions -- an officers' union and a single industrial union of unlicensed seamen, with reciprocal arrangements for the transfer of pension rights.

On the New York waterfront, a special mediation board chaired by Senator Wayne Morse was appointed during the 1962-63 contract negotiations. The final settlement included a guarantee of annual income in exchange for a reduction in size of general cargo gangs and changes in work rules designed to permit flexibility in the employment of men. The agreement provides a

minimum guaranteed annual income equivalent to 1600 hours at straight time rates for every eligible employee. There were 21,000 such men during the qualifying year. Debits were made for failure to report as ordered, failure to accept work for which the man is qualified, etc.

In granting this guarantee of annual income, the employers expected not only flexibility in the deployment of men and the elimination of certain work rules or practices, but also they hoped for increased mobility of the work force. Even with the introduction of computer hiring and the debits to the guarantee, mobility has not been increased as the men have shown great reluctance to move from their sections or piers. The computer may even have served to inhibit mobility to the extent that it has reduced voluntary mobility -- the men no longer follow the work or go to the hiring centre where it is known that hiring will be brisk. However, if hiring agents will hire men they cannot see who are waiting on other centres, the computer can in fact serve to increase mobility and make it more orderly.

Another contentious issue in New York was that of containerization. The shippers wished to use containers as this would eliminate export packing, result in less handling, decrease pilferage and damage, and carry lower insurance rates. The I.L.A. opposed containerization on the grounds that the process would adversely affect employment and earnings of its members.

A Container Fund was established by the parties as part of the

1959 settlement. Royalties were to be paid on containers loaded or unloaded away from the pier by non-I.L.A. labour. The amount to be paid was to be settled by arbitration should the parties be unable to agree voluntarily within two weeks. The funds were to be jointly administered and the parties could seek changes in the royalties during the life of the current labour contract.¹

By 1962, no decision had been made on the disposition of the funds, but the income to the fund was not sufficiently large to cause pressures in this regard. A similar Bulk Sugar Fund was also established, but its potential for growth is somewhat less, being contingent on an increase in royalties. The size of the container fund can grow through increased containerization alone. These two funds are significantly smaller than the West Coast Longshore Fund in terms of revenue, though there are considerably fewer employees on the West Coast. It is suggested¹ by Kennedy that as of 1962 the arrangements in the east were temporary and transitional, giving the parties time to come to grips with the total issue. However, this much does appear clear. On the West Coast, the militant I.L.W.U. received far greater gains through direct bilateral negotiations than did the I.L.A. in the east through arbitration.

If a generalization may be attempted, it might be the following: in an industry where the union generally has greater bargaining power than

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1. V.H. Jensen: "Computer Hiring of Dock Workers in the Port of New York", I.L.R.R., April 1967, pp. 414-432.
 2. Kennedy, Chapter V, The New York Longshore Container and Bulk Sugar Funds, pp. 102-128.

the employers, it is likely to secure substantially larger benefits through direct negotiations than from an impartial and somewhat more objective third party.

An employment security plan was devised in 1955 between the National Maritime Union (NMU) and various Atlantic and Gulf Coast employers. As amended in 1963, the plan provides a weekly unemployment benefit, a temporary occupational or an occupational disability benefit for active workers and separation pay. The unusual feature of this plan is that the weekly benefit is not only payable during periods of layoff, but also if the man must leave the berth to care for a disabled spouse, death in the family, etc., or if unemployment follows a vacation or disability which caused the seaman to leave the vessel.

The plan is financed by company contributions of 25 cents per employee for each day worked.

See: U.S. BLS Bulletin 1365, "Digest of Nine Supplemental Unemployment Benefit Plans -- Early 1963", pp. 19-20.

Complete text of the plan see, Pulp Workers, "Automation", Appendix C, p. 353.

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MUSICIANS

The American Federation of Musicians (AFM) has been concerned with the problem of technological change since the introduction of sound movies in 1929 eliminated the jobs of some 20,000 musicians who had been employed in theatres across the country. In a 1948 article, Vern Countryman considered the development of the various restrictive practices. Primary among these were the use of a quota, specifying the minimum number of union members to be employed and the "standby" demand which was gradually transformed from a live musician to a bookkeeping device to calculate the amount of payments from the employer to the union.

In order to deal with the displacement of live music through records and juke boxes, the union tried but failed to limit records to home use only. A Recording and Transcription Fund developed as a result.

A new Music Fund was developed in 1948 to provide income for unemployed musicians by paying them for performing at free public concerts and dances. The income was to be derived primarily by graduated royalties on records and transcriptions. This method of financing has been successful because of the continually great increase in the volume of record sales. Administration of the Fund is by a single trustee appointed by the company. Neither company nor union representatives are named as trustees.

It has been clear from the beginning of the fund that it could not directly provide adequate employment or income to the many musicians totally or partially displaced by technical changes. The emphasis has been on education -- to demonstrate the merits of "live" music so people might want more "live" concerts.

In 1958, a rival group formed a Musicians' Guild which traded the fund royalty payments for increases in wage rates. This was, in effect, the trading of a work-sharing scheme for higher wages for the employed. Although the Guild subsequently merged back into the AFM, its birth is evidence of a distaste for work sharing on the part of those who retain the decreased number of jobs.

As an unemployment relief device, the fund has been quite ineffective providing in total only about \$24 per member of the AFM. The educational aim of the fund has been abandoned. Dissatisfaction with the fund remained or even grew and its development after 1961 has been unclear.

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N.Y.C. TRANSIT AUTHORITY

The changeover of Fifth Avenue buses from two-man to one-man operations was carried out on the basis of an arbitration award.

Among the provisions were:

- 1) Institution of one-man operation at the discretion of the company.
- 2) Compulsory retirement with "separation annuities" or a lump-sum severance allowance for conductors over 60.
- 3) Opportunity for conductors under 60 to qualify as drivers.

By 1961, however, it was the policy of the Transit Authority to introduce changes by not laying off any permanent employees and by reassigning surplus employees to other jobs without any reduction in pay.

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THE NOVA SCOTIA AGREEMENTS

1. Source and Pressures for the Plan

Separate labour and management seminars have been held at the Dalhousie Institute of Public Affairs since its inception in 1936. These seminars operated within a context of numerous annual briefs and counter briefs to government and a trend towards even more restrictive labour legislation.

In 1960, the provincial government introduced amendments to the Trade Union Act which would have granted an elective-union-shop and provided for the Labour Relations Board to handle cases of unfair labour practices. Management and union response to this proposed legislation was so divergent that the government appointed Judge A.H. McKinnon as a one man fact-finding commission. Judge McKinnon urged the parties to solve their problems on their own rather than continually run to government and he recommended a moratorium on legislation while the parties tried to reverse the restrictive trend.

2. Development of a Response

After the Report was tabled, the Institute of Public Affairs convened an informal study group with four representatives each from labour and management and two from the Institute. There were two common objectives:

- 1) the need to reduce future government intervention, and
- 2) the desirability of improving the industrial attractiveness of the province.

The Committee then considered possible new departures in labour-management relations, the implications of the McKinnon Report and those areas of agreement and disagreement which could be identified.

By September 1962, there was sufficient understanding that a conference could be held of leading provincial labour and management officials. The First Six-Point Labour-Management Agreement included the following:

- 1) a moratorium on further appeals to the legislature for amendments to the Trade Union Act;
- 2) management agreed that workers had a right to organize and that trade unions had a legitimate role; unfair labour practices to forestall organization were condemned;
- 3) labour agreed that management had a right to a fair return on investment.

It was agreed to continue and expand the Joint Study Committee and after the conference, the agreement was submitted to a "community of endorsees", virtually all of whom approved it.

The Joint Study Committee was then expanded to 16 members to make it more representative. The draft Second Six-Point Agreement was approved by the Second Joint Conference without alteration. A key provision was agreement to endorse in principle and to study the application of a resolution on automation drafted by the companies and unions of the Eastern

Canada Newsprint Group.¹

In early 1964, the decision of the Joint Labour-Management Study Committee to give intensive attention to the problems of automation was stimulated further by the interest of the Nova Scotia Voluntary Planning Board.

In February, 1964, a Subcommittee on Automation and the Displaced Worker was established. It presented its report to the Third Joint Study Conference.

3. Scope of the Study

The first Report, entitled "The Impact of Change within a Company", covered only such displacement as can be covered within a company. It specifically excluded those wider aspects of automation which are outside the control of a company.

5. Substantive Terms of the Report

The Report listed the responsibilities of the parties in industry:

- 1) Management has the prime task of providing a good return on investment.
- 2) Labour's main responsibility is to ensure the best possible wages and working conditions for the membership.

1. The Second Six-Point Agreement, including the resolution of the Eastern Canada Newsprint Group (May 31, 1963) can be found as Appendix B, J.H.G. Crispo, "The Nova Scotia Labour-Management Agreements", in Economic Council National Conference on Labour-Management Relations, Ottawa, November 9-10, 1964.

There are three areas of joint responsibility:

- 1) To attain advances in productivity and increased efficiency.
- 2) To maintain for the labour force a secure confidence of continuing employment.
- 3) To reduce to a minimum the adverse effects that may result from technological advance.

The main recommendations are extremely flexible:

- 1) Advance consultation and planning must be the first prerequisites and must be continuing in nature.
- 2) As soon as a potential source of displacement becomes evident, vacancies arising elsewhere should be used to absorb men who are likely to become redundant. The gaps so made can be filled by temporary employees hired for that specific purpose.
- 3) If a surplus remains at the time of change, some may be held in a general pool pending absorption.
- 4) If the numbers involved are too great for absorption alone, early retirement of some of the older men or assisted relocation of the younger can mitigate the dislocation. Separation payments are not generally recommended, but may at times be useful.
- 5) Developments such as reduced working hours and longer vacations are normal objectives of the collective bargaining process. They are, however, not to be recommended only as ways to reduce the scale of displacement.

- 6) Some retraining will at times be desirable on internal transfers, but nothing elaborate is contemplated.
- 7) There should be some flexibility on the interpretation of principles such as seniority and union jurisdiction to facilitate internal transfers.
- 8) In the case of major changes, rates should be reviewed well in advance of the change and revised where responsibilities or job contents are materially altered.
- 9) Valuable assistance may often be obtained from the Manpower Consultative Service of the Federal Department of Labour.
- 10) If the scale of the reduced labour requirement is so great it cannot be solved internally, a problem is created similar to structural unemployment and it must be dealt with in conjunction with Government agencies.

6. Experience

This report was adopted unanimously in November 1964 by some one hundred senior representatives of labour and management who attended the Third Joint Study Conference.

The second and final report, discussion the Impact of Change Within a Community, dealt with those problems of displacement that could not be dealt with internally by labour and management within an individual company. It was adopted by the Fourth and Fifth Joint Study Conferences in 1965 and 1966.

Guy Henson, Director of the Dalhousie Institute of Public Affairs, claims the "automation agreement" has been adopted in certain instances and has been a helpful influence in other collective agreements in Nova Scotia. It has been widely quoted and discussed elsewhere in Canada and in the United States.¹

5. Evaluation

It will be a major task for the members of the Joint Study Committees to impart their new sense of harmony and co-operation down to the lower levels on both sides. This, it should be noted, is the rock on which the Domtar ship floundered.

Tied in with this, of course, is the danger of overconfidence creeping in. The Nova Scotia agreement is indicative of an approach, of general guidelines which may be followed. But, like other guidelines, the value and relevance of these general statements when applied to the specific case, may be seriously questioned. The Nova Scotia plan represents a starting point (or perhaps, in a sense, a common goal), but always there remains the hard and contentious middle road of direct collective bargaining over substantive terms. Adherence to a common set of guidelines may smooth passage along this road, but the trip cannot be eliminated.

1. Henson, "Automation and Worker Displacement", p. III.

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PETROLEUM AND CHEMICALS

Many companies devised plans to encourage early retirement by providing more generous allowances than the actuarial equivalent of normal benefits under the regular retirement plan. Some of these plans were introduced by unilateral company action, applying to both unionized and non-unionized employees. Special programmes such as that at Humble Oil often reduced or eliminated entirely the need for layoffs.

Humble regularly announced the size of a manpower surplus several months in advance, with supplementary payments for early retirement or voluntary termination of service. The company also established placement services during the periods of manpower reductions.

The problem faced by the O.C.A.W. and other unions is the virtual obsolescence of the strike. Strick oil refineries can usually operate for an indefinite period with only supervisory personnel -- the union can be paralysed.

PETROLEUM and CHEMICALS = U.M.W.A.

Dow Chemical Company and District 50 of the United Mine Workers of America put the following plan into effect in 1960:

- 1) Those directly displaced by technological change will be put into a labour pool for three months or longer.
- 2) Those displaced by automation, changed job content, etc., will be guaranteed their former wage rate for 6 months.

- 3) The Plan provides for retraining, the costs of which will be met from the savings resulting from technological advance, and for leaves of absence to seek alternate employment.
- 4) An early retirement scheme was introduced in 1962.

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A study of the ITU, particularly in Toronto, would be most enlightening.

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RADIO CORPORATION OF AMERICA

R.C.A. and the Association of Scientists and Professional Engineering Personnel at Camden and Moorestown, N.J., have devised one of the few plans to protect white collar employees against technological change. The substantive terms include:

- 1) Six weeks' notice of mass layoffs with the company to inform of the approximate number to be laid off.
- 2) Three weeks' notice of the names of those to be laid off and those to be retained out of order.
- 3) The association to have the right to seek an adjustment or file a grievance if dissatisfied with the company choices.
- 4) The establishment of a continued joint committee to study "retraining methods and objectives as related to layoff".

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RUBBER INDUSTRY

Like automobiles, and for many of the same reasons, the rubber industry provides an unfavourable environment for the development of restrictive work rules. Similarly, the situation with regards to the skilled trades differs from other industries in that lines of demarcation place limitations on management's right to assign work.

However, a major distinction between the two industries is that incentive payment systems are common in rubber, and informal limitation of output is widely practiced under them. Wildcat strikes and organized slow downs also occur more frequently in rubber.

These restrictions on output have contributed to a looseness of incentive standards and excessive manning. There is as well a tradition of employee militancy, nurtured perhaps by the work context.

Killingsworth has suggested¹ that these restrictive work rules have constituted a subterranean approach to job security. Several factors, however, have served to weaken the impact of this approach--sterner treatment of wildcat strikers, competition of new plants, trend of arbitration decisions, and the adjustments necessitated or made possible by the changing technology.

Like the U.A.W. the Rubber Workers Union has stressed in bargaining, cushions for temporarily or permanently displaced employees

1. Somers, Cushman, p. 70.

and the equitable allocation of displacement when it occurs. S.U.B. provisions appeared in rubber contracts soon after automobiles. Rubber contracts provide severance pay and most local agreements include elaborate work-sharing and seniority systems. Interplant transfers are less common than in autos.

The 1961 negotiations were conducted before the settlements in automobiles and the companies may perhaps have been waiting for precedents from that industry. In any case, two companies agreed that automation would not be used to remove jobs from the bargaining units; one of these agreed to advance notice of major technological changes likely to result in displacement; a third company agreed to pay for retraining when new equipment was installed.

The main work rules issues which have caused difficulties include the following: distribution of overtime, application of seniority to meet changing production requirements, vacation scheduling and setting piecework prices on incentive jobs.

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SCANLON PLAN

1. Source and Pressures for the Plan

In 1936, during the time when the Steelworkers Organizing Committee was still really fighting for recognition, Joseph Scanlon was the president of a union local in a marginal steel company. Like many other steel manufacturers at the time this one was close to liquidation. At Scanlon's bequest, the company president went with him to see Clinton Golden, Steelworker's Vice-President and long an advocate of labour-management co-operation. Golden advised them to work out jointly a plan to try to save the enterprise.

They went back and talked to the men on the assembly line. When the ideas, comments and suggestions were translated into action, substantial savings resulted. And out of this came the Scanlon Plan.

3. Scope of the Plan

A Scanlon plan will preferably apply to everyone in the enterprise although in some cases the top executives will have a separate bonus scheme of their own.

In either case, it is crucial that the bonus is paid to everyone covered by the plan, not just to those individuals who make productivity suggestions.

Scanlon felt¹ that the plan would work most effectively in the

1. Davenport, p. 4.

presence of a union, though some plans have been enacted without one.

Since it is necessary that each employee feel some responsibility for plant costs, a Scanlon Plan generally works well in a smaller plant. Most of the plans have been established where there are 1,000 employees or less, although some have been enacted in larger plants.

4. Procedural Mechanisms

The main impetus for increased productivity under a Scanlon Plan comes from suggestions as to how time and effort can be saved, although the men do presumably work more steadily and perhaps harder as well.

The suggestions are handed by "production committees", whose members are always easily accessible in the plant. They can implement any suggestion that does not affect another department or a substantial outlay of money.

Above this is the screening committee which rules on questions of wider scope. Management, however, retains the right of final acceptance or rejection.

If an idea is accepted, some member of the committee is specifically assigned the job of following it through; if it is rejected, someone is instructed to make a thorough explanation to the worker.

5. Substantive Terms

The Scanlon Plan first finds a "normal" labour cost for the plant under consideration and then attempts to devise a means to give labour the benefit of anything it can save under that "norm". In every case, therefore, some kind of link must be found between the worker and overall shop productivity. Since every case differs, the nature of the link varies as well.

Perhaps the most direct and understandable accounting ratio is that of labour cost to total production value, the latter being equal to total monthly sales plus net inventory change. A few key points essential to such a plan may be noted:

- 1) Labour gets all of the savings; management's profits from the plan are derived from increased sales with no corresponding increase in total "burden". (i.e. overhead and labour costs)¹
- 2) To maintain the ratio at its original level, changes can be made in the formula to compensate for altered conditions on either side. For example, should management cut prices, an addition would be made to labour's norm since there developed a decrease in production value from a non-labour source.
- 3) A productivity bonus must not be used as a substitute for a wage increase.

To protect against the case where labour costs exceed the norm,

1. Today the savings are usually shared (e.g. 75% to the participants, 25% to the company).

the final plan will often provide that the company hold back some share (e.g. half of the first 15 per cent of each month's bonus). This amount is kept in a reserve fund and whatever is left after covering these contingencies is distributed at the end of each year.

6. Experience under the Plan

Since there is no one Scanlon "formula", each plan must be tailored, to its unique context. However, several results have been produced by the various Scanlon plans:

- 1) Many suggestions from all levels have served to save labour and therefore reduce the ratio of labour cost to total production value.
- 2) The workers are far more willing to accept technological change and to make innovations work.
- 3) Work proceeds at a better pace and time lost is sharply reduced.
- 4) The quality of workmanship has improved. Spoiled or returned goods means a cost to the workers as well as to management.
- 5) The workers are eager to help each other since they all benefit from increased productivity. Formerly those highly skilled workers on piecework were jealous of their position and unwilling to share their skills.
- 6) The collective agreement will be more flexibly administered. It is in the interest of everyone that those most competent do a task, rather than adhere to narrow seniority rules.
- 7) Attempts are made to avoid overtime since this will increase the ratio of labour costs to production value.

- 8) The employees begin to demand more competent and knowledgeable supervisors.
- 9) An awareness is created on all fronts of the problems of the enterprise in making sales and meeting competition.
- 10) A Scanlon Plan makes for more realistic and well informed bargaining during contract negotiations.
- 11) The financial payoff to the workers is an obvious result, but bears mention all the same.

8. Evaluation

Unless there is a genuine desire on the part of both parties to operate successfully, Scanlon and his successors have been unwilling to start a plan. Even so, there are bound to be many problems in any such plan:

- 1) Those who do not carry their fair share are not usually officially reprimanded. However, their fellows will normally apply the same pressure formerly used to control speeders.
- 2) There are difficulties in computing the ratios to be used:
 - a. Does the plan extend to technical and white collar workers or is it limited to those on the production line?
 - b. What is a "normal" period to use as a base?
 - c. If the labour content (product-mix) varies, erratic fluctuations in the bonus can occur.
- 3) Reaching agreement on changes in the ratio can be difficult unless the parties have confidence in each other's good faith.
- 4) In some cases, the employees may not be willing and able to suggest new and more efficient methods of production.

- 5) There may be resistance among foremen and other supervisory personnel to the changed nature of their jobs.
- 6) There is always a danger the plan may break down completely in time of recession.
- 7) Piece rate payment and bonuses are usually discontinued under a Scanlon Plan; there may be transitional difficulties in the conversion to hourly or day rates.¹

Perhaps the greatest virtue of a Scanlon Plan is that it gives the worker a sense of responsibility and accomplishment. "The Worker is no longer a pawn in a game he does not understand. He is a player. He enjoys it. And his contribution is worth money to all concerned."²

A Scanlon Plan differs from a simple profit-sharing plan in that the former is not tied to profits. The employees cannot lose or gain bonuses by management decisions in areas such as purchasing and inventory control, which affect the income statement. The workers' payoff is related to problems they can do something about. In this respect, the principles of a Scanlon Plan differs from those at American Motors, but may be seen virtually intact at Kaiser Steel.

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UNITED MINE WORKERS WELFARE AND RETIREMENT FUND

Increased production per man-hour in the mines has been attributed largely to improved mechanization and management efficiency. Demand for coal has not kept pace and the result has been substantial displacement aggravated by the isolation of the coal communities and the reluctance of the men to move elsewhere.

The union has never resisted increased productivity, but has merely demanded a share in the gains.

During a 1946 strike, President Truman seized the mines and the settlement between government and the union provided for a "welfare and retirement fund" to be financed by a levy of 5 cents per ton of coal produced for use or sale.

Since 1950, when the royalty payment reached 30 cents per ton, there have been no serious disputes between the parties with respect to the fund. Perhaps the dependence of income for the fund upon the output of coal has even served as a stabilizing force.

The Miners' Fund has been jointly administered by a board of three trustees with one neutral member. After 1959, the financing was by employer contributions of 40 cents per ton. This procedure represents a fixed cost per ton which cannot be decreased by mechanization or more efficient management. A cent-per-hour or percentage-of earnings method would provide management with more incentive to increase productivity.

Under either of these latter methods, a cut in the man-hours and labour cost would also cut the cost-per-ton which must be contributed to the fund.

The primary purpose of the fund is not to aid displaced miners, but rather to provide:

- 1) pensions
- 2) hospital and medical care
- 3) funeral expenses
- 4) widows' and survivors' benefits for employed miners and their families.

In an industry with no mandatory retirement age, the pension plan, by permitting retirement as early as 60, has served to create jobs for younger men who otherwise would have been displaced.

Benefits designed specifically to meet the needs of the displaced employees, such as severance pay, retraining costs, moving expenses are not included in the programme of the Miners' Fund. Two main reasons for a continued refusal to include this type of provision are a lack of funds and the fact that the payment of such benefits was not the original intent of the plan.

Some displaced miners do receive some help from the fund because the trustees have declared them eligible under certain limited conditions for the benefits accruing to the employed. In general, however, it has been difficult for the displaced to see what their share of improved productivity has been. Those who remained employed received

improved benefits from the fund, other fringe benefits as well as higher wages. In spite of a slight concession to the displaced in 1960, the basic philosophy of the fund has remained unaltered. Since the income of the fund has been steadily decreasing, it is extremely unlikely that improved benefits for the displaced will be given any serious consideration in future.

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U.S. AIRLINES

1. Source and Pressures for the Plan

Commercial air transportation in the United States has, since 1938, been subject to rigorous economic regulation by the Civil Aeronautics Board (C.A.B.). Under the resulting industry structure, more than 90 per cent of the passenger-miles and 60 per cent of the mail and cargo ton-miles are provided by eleven "trunk" lines and Pan American World Airways.¹

The market is considered highly competitive by all the carriers. Each must contend with competition from other forms of transportation (e.g. cars) as well as from foreign-flag carriers on international routes. On domestic runs, the C.A.B. certifies at least two carriers for each major route, while requiring uniform fares for any given class of service. The result is intense non-price competition, with new types of aircraft purchased and introduced at an extremely rapid rate. Intense technological innovation, then, has always been a hallmark of the aircraft industry.

These technological changes have modified the composition and job content of airline flight crews. Under the Railway Labor Act, which has applied to airlines since 1936, employee representation is on a

1. Kahn, I.R.R.A., 1965, p. 124.

"craft-or-class" and single-carrier basis.

Since 1948, the C.A.B. and the Federal Aviation Agency (F.A.A.) have required that in all air flights of over 80,000 pounds, there must be three men in the cockpit -- two certified as pilots and one as flight engineer. These agencies do not care whether the pilots are also certified as flight engineers (or vice versa) or to which union the men belong.

The pilots have been effectively unionized since the foundation of the Air Line Pilots Association in 1931. They have consistently shown substantial bargaining power.

- 1) The competitive environment makes each carrier anxious to retain public good will and to avoid loss of passengers to rivals.
- 2) The pilots have resisted attempts at multi-employer bargaining.
- 3) Federal subsidies, especially in the 1940's and 50's offset the pilot's economic gains.
- 4) The pilots bargain as a separate occupational group.
- 5) ALPA receives militant rank and file support.
- 6) Congress and the C.A.B. have generally been sympathetic.
- 7) The pilots have succeeded in enforcing certain productivity criteria as a traditional basis for minimum economic gains.¹

To ALPA, there is no longer any need for a specialized flight engineer today and they hold to what is called the "fail-safe" principles

1. Kahn, I.R.R.A., 1965, p. 124.

that all the men in the cockpit be qualified to do all the functions of the others. At their 1956 Constitutional Convention, the pilots offered to take the flight engineers into their union at full membership. The AFL-CIO on a subsequent study, concluded that there was no trade union reason for the two organizations not to merge.

The Flight Engineers International Association (FEIA), a much smaller union than ALPA, believes it is engaged in a struggle for survival as an independent union.

FEIA rejected the pilots' contention that they were an anachronism and felt that a merger with ALPA would result in the submersion of the engineers and their being placed on the bottom of the seniority list.

In 1958, an Emergency Board was appointed by the President to discuss the negotiations then taking place between both FEIA and ALPA and Eastern Airlines. This Board found that it would be better if the engineer were required to have the basic qualifications of a pilot and be able to assume in an emergency some the flying duties of the pilot.

Eastern announced it would accept the recommendations but FEIA went on strike November 24, 1958. On December 31, the company capitulated, and the new contract did not require any pilot qualifications for flight engineers.

ALPA, however, was on strike at American Airlines at this time,

to enforce its demand for pilot-qualified engineers. Both airlines finally bought their way out, by adding a fourth man to the crew, so that there were three pilots and one flight engineer on every jet flight. By 1959, Pan American, Trans Canada, and Trans World also had a four man crew.

At carriers, where the flight engineer was pilot-qualified, as at United, the jets were flown by three-man crews from the outset. In its 1959 contract with ALPA, United promised not to furlough a large number of pilots during the contract period, but instead agreed to offer them other jobs at no less than their minimum monthly salaries while seeking ways of increasing the number of available flying assignments.

With FEIA, United agreed that all flight engineers would complete a flight training course provided for them by the company so they might be able to relieve a pilot. A flight engineer could take one of two other options instead: Leave the company with a severance pay of \$20,000, or continue to fly piston-type aircraft as long as his seniority permits. If, in this latter case, he were eventually displaced, or chose to leave the company, his severance pay would be reduced by \$2,000 for each calendar year worked after January 1, 1963; however, the minimum allowance was to be \$10,000.

2. Subsequent Developments

(a) Trans World Airlines-Airline Navigators Association (1961)¹

1. BLS, Report 266, p. 7.

This agreement established a waiting period before the elimination of navigators and provided for the retention of a specific number of navigators on piston engine planes. Navigators who lost their jobs were given a monthly severance pay for three years in addition to a lump sum calculated on length of service, totalling from \$24,000 to \$39,400. As in the railroad agreements, fringe benefits were protected; navigators receiving severance pay could also retain pension rights and coverage under company financed insurance programmes.

(b) Eastern Airlines - FEIA (1962)¹

On June 23, 1962, the FEIA went on strike against Eastern Airlines. All branches of government, from the President on down, were extremely active in this dispute. By the latter part of July, the company had begun training 80 co-pilots in flight engineering to replace the strikers.

By September 15, full operations were resumed on this basis. The strike, in which the FEIA was clearly broken, had the effect of idling almost all of Eastern's 18,000 employees, but the retrained pilots and defection FEIA members put the airline back in operation. A mutual aid assistance pact between Eastern and the other carriers prevented losses that might otherwise have been substantial enough to force a settlement with the flight engineers.

1. Kramer, I.L.R. Research, pp. 7-14.

This strike was a turning point for the flight engineers. Since this time they have either had to accept terms set by the other carriers or face extinction as occurred at Eastern.

(c) Trans World - FEIA (1962)¹

This agreement, accepted by ALPA gave flight engineers on the TWA seniority list and on the furlough list prior rights to the third seat in jet cockpits. The engineers could take pilot training on company time at company expense. Those choosing not to take the training or unable to obtain the necessary licenses may take severance pay or displace those with less seniority in jobs for which they qualify.

Severance benefits are paid in a lump sum, monthly installments or a combination of the two at the option of the individual. The maximum amount was to be \$39,400.

Those qualifying for severance pay are to be eligible for coverage under the company's group life and medical insurance plans until they reach retirement age, maintaining vested rights to pensions and travel privileges.

Starting with this settlement, FEIA was no longer able to cling to the status quo; it was forced to acknowledge a changed operating environment and adapt to this as well as it could.

1. BLS Report 226, p. 7.

(d) American Airlines - ALPA (1963)¹

American's pilots withdrew from ALPA when that body would not permit deviation from national policy. The independent Allied Pilots Association (APA) was created, and the agreement signed called for a three-man crew which could include a non-pilot engineer.

The contract removed the 85-hour monthly maximum for flight pay and credit and set a new upper limit of 75 hours on jets and 80 on propellor aircraft. American agreed to the same pay as had been given for 85 hours and improved the retirement and disability programmes in return for APA's dropping of the pilot-engineer requirement.

(e) Pan American - FEIA (1963)²

This Agreement gave the flight engineers prior rights to the third seat, while the company was to pay for the engineer's pilot training. While taking this training, the engineer receives a salary as well as all expenses while away from home. If the engineer fails in his training, or declines to train, he can elect to remain with the company on a propellor craft or receive severance pay. As in the case of the railway and other airline agreements, existing supplementary benefits are protected; engineers accepting severance pay may elect to participate in the pension fund with the company contributing for them as for employees still on the payroll. They can also continue in the company insurance programmes.

1. Kahn, IRRA, 1965, p. 134.

2. BLS Report 266, pp. 8-9.

(f) United - ALPA (1965)¹

Most of the contracts signed by ALPA between July 1963 and the end of 1964 aimed to move towards the 75-hour maximum. However, by 1965, the situation was changed. Bargaining within a context of dynamic expansion, the new United - ALPA agreement demonstrated that in the absence of layoff worries, the pilots preferred higher earnings opportunities to an hours reduction. In addition, they were willing (for a price) to accept certain modifications on traditional seniority rights that would save United substantial training costs during the ensuing growth period. Similar agreements were subsequently signed with Pan American and Eastern.

3. Evaluation

Of the two unions involved here, the FEIA has been engaged in a more desperate and less successful struggle. Fighting for its existence, placed in a virtually untenable position, the union was effectively broken by Eastern Airlines in 1962. Since that time, it has been forced to co-operate with the carriers, to its own institutional detriment, but perhaps to the ultimate advantage of its members. Its agreements since that time have generally stressed the options of retraining at company expense (with eventual absorption into ALPA) or separation from the company with substantial severance pay. Bargaining from a very weak position, FEIA has managed to

1. Kahn, IRRA, 1965, pp. 135-137.

salvage reasonable terms for its membership.

ALPA, on the other hand, has at no time been faced with a threat to its survival. Its problem at times has been to ration available jobs, through a decline in demand for their services. The avenue chosen was a reduction in hours. When demand picks up, the pilots are eager to increase their hours of service.

A decline in demand here for pilots' services is not due to technological change and so is not likely to be permanent. A temporary drop in demand is dealt with through work-sharing and similar means. A permanent decline for the particular service rendered by the flight engineers must be dealt with through the more fundamental tools of retraining or severance pay.

A final word should be said about the relation of the two unions. ALPA, the larger and more powerful of the two, was able to bargain from a position of strength. The only support FEIA ever received from anyone was some lukewarm endorsation from the Teamsters. ALPA, then, was able to carry weight with its demands and clearly emerged as "victor".

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UNITED STATES RAILROADS

The story of labour-management relations within the United States railroad industry presents a very complex picture. All that can be attempted here is a brief summary of some of the more creative attempts to cope with innovation.

A The Washington Agreement - 1936

Although this agreement dealt with the problem of displacement through railroad mergers, it is generally taken as the starting point for discussions of technological change, because subsequent agreements negotiated to deal with such problems have been closely patterned after it. Among its main provisions are the following:¹

- 1) Displacement allowances based on seniority. The displaced employee received 60% of average monthly pay for the previous twelve month period. The length of time for which the payment was received varied from six months for low seniority employees up to five years for those with 15 years service.
- 2) Job protection against down-grading of wages or working conditions for five years for employees retained.
- 3) Moving expenses for employees who keep their jobs but must move to a new location. The moving expense costs of the employee, and his family living expenses while relocating, and the losses from forced sale of homes, are paid.
- 4) Ninety days notice must be given of plans to merge railroads.

1. For details, see MLR, June 1936, pp. 1503-1505 and also Congressional Record, May 21, 1936, pp. 7661-7662.

A number of recently negotiated agreements have included provisions very similar to those of the Washington Agreement for workers adversely affected by technological innovation or organizational change. Some of these have also restricted the rate at which various jobs could be reduced.

b. Order of Railroad Telegraphers - Southern Pacific Railway, 1961

This agreement, in effect, guaranteed 946 regular employees their jobs or pay. The number of jobs that can be abolished in any year is limited to the smaller of (a) 20 or (b) the number of vacancies due to attrition. Since the job base established was 1,000, no jobs would be abolished for several years. More than this number of jobs could go if a pending "Centralized Traffic Control Plan", went into effect or if the I.C.C. authorized branch line abandonment. This agreement contains several other provisions:

- 1) a requirement of 90 days advance notice of any reduction in the number of positions as a result of organizational or technological change.
- 2) more than 100 operators on the extra list would be guaranteed 40 hours' work or pay and the right to fill vacancies on the regular list.
- 3) Washington Agreement provisions for furlough benefits, severance pay or displacement pay for those downgraded; moving allowances and retention of supplementary benefits were also provided for.
- 4) The agreement was to be retroactive to cover those whose jobs had been abolished during the 3 1/2 year negotiating period prior to the agreement.

c. Order of Railroad Telegraphers - Chicago and North Western Railway Co., 1962

- 1) Ninety days notice before the abolition of jobs.

- 2) Furlough, displacement or severance pay, payment of moving expenses and retention of transportation and other supplementary benefits, as in the Washington Agreement.
- 3) Size of the extra board to be determined by the railroad, but those on it to receive a guaranteed 40 hours' pay per week.
- 4) Provisions to be retroactive to January 22, 1958 unless those displaced since then had already received benefits under the Washington Agreement.

D. Brotherhood of Railway Clerks - Southern Pacific Railway, 1963

This agreement covered about 11,000 employees, engaged in a wider variety of jobs than is common for most railway unions.

- 1) Follows Washington Agreement for notice of elimination of jobs, furlough, separation or displacement pay, retention of fringe benefits and moving allowances.
- 2) The number of jobs in existence is guaranteed, except as reduced by attrition. Provision was made for a decline (subsequent rise) in traffic.
- 3) Should the Company fill a job vacated by attrition, it can abolish another. The employee displaced, if he cannot claim another job through seniority will receive a furlough allowance.
- 4) The company was to provide on-the-job-training for workers who must acquire new skills to retain jobs that are changed by new methods or procedures.
- 5) Extra-board employees were to receive a guaranteed 40 hours' work a week.

E. Brotherhood of Railway Clerks - Missouri Pacific (1963) - Atchison, Topeka and Santa Fe (1963)

- 1) Both agreements included provisions for furlough, displacement and moving

allowances like those in the Southern Pacific settlement.

- 2) Neither agreement guaranteed the existing number of jobs.
- 3) Missouri Pacific agreement contains:
 - a. no provision for 90 days' notice
 - b. no provision for severance pay or retraining.
- 4) Atchison, Topeka and Santa Fe contains:
 - a. provision for 90 days' notice
 - b. provisions for separation allowances, maintenance of fringe-benefit provisions and moving allowances as well as for retraining.

In all railroad agreements, provisions are made that unemployment compensations paid from unemployment insurance funds or government sources is to be subtracted from furlough allowances.

F. Order of Railway Telegraphers - Baltimore and Ohio Railroad and Subsidiaries (1963)

- 1) Abolition of any permanent telegrapher position requires 90 days' advance notice.
- 2) Company can determine the size of the extra board, but those on it are guaranteed pay for 40 hours' work.
- 3) Acceptance of Railway Clerks' provisions regarding furlough pay (i.e. 70% of previous earnings for a specified period and 60% for an additional period).
- 4) Provisions similar to those in earlier agreements for separation allowances, fringe benefits, displacement pay, and costs of moving.
- 5) The parties agreed to co-operate in the development of training programmes for those with seniority but not currently employed.

G. Presidential Railroad Commission

1. Source and Pressures

The rules structure governing tram operations has remained virtually unchanged over the past thirty years, despite rapid technological innovation and increasing attempts by management to take advantage of these breakthroughs. In 1959, the principal railroads launched a large-scale campaign to rid themselves of outmoded work rules costing, so they said \$500 million a year. Secretary of Labour Mitchell mediated and finally won agreement between the railroads and the five operating brotherhoods for the establishment of a tripartite, fifteen-man commission to study thoroughly the rules problem and to submit recommendations for its resolution.¹ The commission's report, filed in February 1962, is essentially the conclusion of the five public members.

2. Substantive Terms

The Commission stated that the outmoded work rules failed to achieve a fair or reasonable apportionment of pay or work. Many redundant jobs had been preserved by obsolete rules while many long-service employees had been displaced by technological innovations without adequate safeguards.

Among the specific proposals were the following:

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1. The carriers involved are the Eastern, Western and Southeastern Carriers' Conference Committees. The unions are: The Brotherhood of Locomotive Engineers, Brotherhood of Locomotive Firemen and Enginemen, Order of Railway Conductors and Brakemen, Brotherhood of Railroad Trainmen, Switchmen's Union of North America.

- 1) Gradually phase out firemen from all freight and yard service, on diesels. Retain them on passenger service.
- 2) Complete freedom for management to make technological changes.
- 3) Provisions for a speedy private arbitration of disputes over many kinds of manning and work assignments changes.
- 4) A thorough revision of the entire pay system:
 - a. Overhaul the complex system of "dual pay".
 - b. Shorten work hours for many workers.
 - c. Require more overtime pay to discourage long hours and to spread jobs.
 - d. Immediate mandatory retirement for men over 70, to be reduced over five years to age 65.
- 5) Strengthening of job security by various means:
 - a. broadening of seniority districts.
 - b. establishment of a national railroad hiring pool.
 - c. provisions for many "cushions", including (among other things) dismissal allowances, extended unemployment compensation at the railroads' expense and up to two years' retraining, also at company expense.
- 6) The five rail operating unions should be merged to two-one for engine service employees and one for train service employees.

The Commission, in effect offered the unions an exchange of their veto over work rule changes for a job security programme more generous in nature and more comprehensive in scope than that in any other major American industry.

3. Experience

The railroads announced that they would accept the recommendations of the Commission, although they were upset at the cost of job security package. The brotherhoods violently denounced the report.

In November, 1962, the Federal courts enjoined the railroads from implementing any of the recommendations of the Commission.

4. Other

There are various reasons which have led to the development of a restrictive set of work rules on the railroads:¹

- 1) The semi-militaristic form of organization (in the sense that orders must be obeyed and grievances lodged afterwards) requires a defence against arbitrary actions on the part of management.
- 2) The hazards of employment have led to the development of elaborate safety rules, which must be broken if people and goods are to be rapidly moved from point to point.
- 3) The mobility on the work place requires employees to perform their duties under greatly varying conditions for extended periods of time without immediate supervision. Rules are substituted for the physical presence of supervisors.
- 4) The variable size of the work force leads to a great stress on the seniority principle and detailed rules governing the allocation of

1. For details, see Jacob Kaufman, "Logic and Meaning of Work Rules on the Railroads", IRRA, 1961, pp. 378-388; also see Killingsworth, "Co-operative Approaches to Problems of Technological Change", in Somers, Cushman (ed.), p. 85.

work opportunities. A multitude of district and division lines were drawn within which employment rights were to be exercised.

- 5) Separate union representation of the major occupational groups led to a detailed specification of what duties "belong" to each occupation; even within occupations, lines of demarcation developed, such as between yard and road work.
- 6) The training and experience can be obtained on the railroads and most of the skills have little transferability to the outside work. Hence, restrictive rules to protect employment opportunities.
- 7) The relationship of the work place and the residence of workers requires rules to protect the individual.
- 8) When local variations are required to modify national rules, the carriers wish to determine them, unilaterally while the unions feel they should be negotiated bilaterally.
- 9) Increased competition to railroads have diminished to some extent the virtual monopoly formerly held on long-haul transportation. Government intervention may now be decreasing as a result.
- 10) The elaborate rules are, to some extent, a result of the size of the enterprises involved, i.e. bigness of itself, leads to a proliferation of rules and regulations.

5. Evaluation of the Plan

The removal of the fireman from diesels in freight and yard service would eliminate 35,000 jobs within a decade at an eventual annual savings of \$250 million.

The net effect of the various pay proposals would raise payroll costs by 2%; three-fourths of the work group would get more pay. Pay adjustments would cost about \$60 million a year, but the elimination of the firemen and the freedom to make changes would result in significantly greater economics.

In a comparison of this plan with Canadian developments, two points stand out:

- 1) In Canada, the brotherhoods, in effect, deal with two companies only, while in the United States there is a multitude of railroads.
- 2) The power of the brotherhoods to resist change in the United States has been considerably greater than in Canada. Perhaps this is due among other factors to the lesser degree of cohesion among the employers in the United States and the possibility of splitting one off against the other.

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